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FINANCIAL TIMES

Milan up 4%



China's ambitions

Assessing the Taiwan exercises



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Gamma curtain for Ukraine



South Africa

Thabo Mbeki: heir apparent

Telecommunications

Mega-merging for profit

World Business Newspaper

WEDNESDAY APRIL 24 1996

Prodi aims to move quickly to form Italian government

Romano Prodi, leader of Italy's victorious Olive Tree centre-left alliance, said a new government could be quickly formed following last weekend's elections. He won the endorsement yesterday of Fausto Bertinotti, leader of Reconstructed Communist party whose 38 deputies are essential if the Olive Tree is to form a majority in the lower house. But though Mr Prodi told a news conference he wanted to start setting off by the end of the year, the RC leader said his party opposed the plan. Page 14

Chechen rebel leader's fate a mystery

Confusion last night surrounded the fate of Chechen separatist leader Dzhokhar Dudayev (left) after a news agency reported that he had been killed. The story delighted Russian troops, but some Chechen representatives denied the claim and Russian government officials could not confirm it. The Russian agency Itar-Tass said the former Soviet air force general had died on Sunday in a Russian rocket attack on a Chechen village. Page 14

Bank secrecy attacked

Banks which transmit money without knowing their customers or the purpose of transactions are no better than prostitutes, a US federal prosecutor told a conference on money laundering. Page 8

Nato force to stay

Senior Nato generals meeting in Brussels agreed there should be no cuts in the 60,000-strong peace mission in Bosnia until after mid-September. Originally Nato's military planners had foreseen reducing the peace force by the end of June.

Seven killed in clashes

Seven people including an Egyptian police general were killed when hundreds of police clashed with three gunmen in the south of the country. The three were suspected of killing 18 Crooks in Cairo last week.

Hong Kong telecoms

Hong Kong's telecom regulator is liberalising some areas of international services - but will not be touching Hongkong Telecom's lucrative monopoly on international direct dialled calls. Page 15

Digital shares surge

Digital Equipment's shares surged after the US computer maker reported a 68 per cent jump in net third-quarter income. Page 15

Japan considers US standard

Japanese cellular phone companies are considering adopting a US standard for digital phones in a move to use radio frequencies more effectively. Page 14

Profits warning from Rémy

French drinks group Rémy Cointreau said profits would fall but its dividend would be maintained. The market shrugged off the news. Page 15

Iraq oil talks in trouble

Iraq accused the US and Britain of virtually rewriting a draft deal on an oil-for-food plan that would allow Baghdad to return to the oil market. The UN offered to let Iraq sell \$2bn of oil over six months to raise money for food and medicine for its people.

Sino-Russian crime accord

China and Russia are join forces in fighting crime by signing police co-operation treaties during Russian president Boris Yeltsin's visit to China this week. Background, Page 4

Branson sued

A former public relations manager for Virgin Atlantic Airways, Elizabeth Hinko, has sued the airline's chief executive Richard Branson for sexual harassment. The suit, filed in Manhattan, also accuses the airline and another executive of discrimination that led to Ms Hinko's dismissal by Virgin last July.

Beijing wants peaceful N-tests

China said it was not yet ready to cease the use of "peaceful" nuclear explosions. At last week's Moscow summit on nuclear safety, Russia for the first time formally backed a global ban on all nuclear tests.

Walt Disney in the red

A \$625m charge to cover taking over ABC/Capital Cities and associated accounting changes helped push entertainment group Walt Disney into a \$25m second quarter loss. Page 19

Keating bows out

Former Australian Labor prime minister Paul Keating resigned from parliament, ending a 27-year political career. His government was easily defeated in March by a conservative coalition.

EU warns Britain over beef ban

Restrictions will remain until proof that BSE threat is over

The European Union's ban on world-wide exports of British beef would not be lifted before measures to control BSE, or mad cow disease, had proved effective, Mr Franz Fischler, the EU Commissioner for agriculture, warned yesterday.

But Mr Douglas Hogg, the British agriculture minister, said he believed EU agriculture ministers would support a relaxation of the ban in the light of action already taken by the British government. The ministers are due to meet in Luxembourg on Monday and Tuesday.

Mr Hogg said he had not discussed retaliatory measures against the EU over the ban with Mr Fischler, further evidence that the British government is backtracking on a threat to consider such a move.

"We were talking about how, together, we can satisfy the council... as to our honest desire to see a serious reduction in the incidence of BSE in the UK herd," he said.

While both men described the talks as useful, EU officials warned efforts to resolve the crisis could be derailed by London's attempts to make political capital out of the ban.

"The problem is in Whitehall. They can't seem to work out if they can get more votes out of the cabinet or from ending the crisis," an EU official said.

Mr Fischler and Mr Hogg discussed Britain's plans for selective slaughtering to eradicate mad cow disease and its demand that agreement on targeted

slaughtering be linked to an EU pledge that the ban would be lifted.

Mr Fischler said Mr Hogg had "explained some ideas concerning a selective slaughtering programme", that he was still waiting for the proposals in writing and hoped the final programme would be submitted by Monday.

Mr Hogg declined to confirm reports that the culling programme would involve killing 40,000 cattle, saying he had discussed the general concepts of a selective slaughter policy. "We talked about principles rather than having tight formulations of numbers," he said.

Mr Hogg said he hoped steps taken by Britain to ensure beef

safety and reduce BSE would satisfy the Commissioner, the veterinary committee and the council.

"The council is likely to support a relaxation of the ban against the background of the steps we have taken to assure human and animal health," Mr Hogg said. These actions "reinforce the proposition that there should be an early relaxation in the ban, moving to a total lifting as rapidly as possible".

But Mr Fischler said the Commission had "always seen the question as a relation between cause and effect. That is to say that the measures that have been agreed on in the council have to be in effect and to be monitored. This is the pre-requisite for lifting the ban."

Mr Fischler also said an "expert monitoring group" was in the UK observing measures taken by the government to ensure the safety of beef and to report on Friday.

Mr Hogg said he was sure the experts would report back favourably, adding that he hoped to be able to "say things to my colleagues [in Luxembourg] that are very reassuring in terms of the safety of British beef".

Mr Hogg said the government was exploring the possibility of exemptions, such as grass-fed herds, from the requirement that cattle over 30-months of age be removed from the food chain.

Merger plan hits Mexico telecoms monopoly

By Leslie Crawford and Daniel Dombey in Mexico City

A powerful merger in Mexico's telecommunications industry yesterday upset the share price of Telefonos de Mexico (Telcel), the monopoly which will face a barrage of competition when the country's lucrative long-distance telecoms market opens next January.

AT&T of the US and Alfa, one of Mexico's largest industrial conglomerates, on Monday announced they were joining forces with GTE of the US, Telefonos de Spain and Bancomer, Mexico's second-largest bank, to compete with Telcel in long-distance telephony. Before the alliance was announced, each group had been planning investments of \$1bn to provide rival services.

Telcel shares, which dominate trading on the Mexico City stock exchange, were down 2.19 per cent in mid-session despite acceptable first-quarter results.

The new alliance, named Alestra, was hailed as the beginning of a shake-out in Mexico's 57th telecoms industry.

Seven groups applied for licences to provide long-distance services when the liberalisation of the telecoms sector was announced last year, but all of them are struggling to raise the large sums of capital required to launch their ventures.

Only Avantel - an alliance between MCI of the US and Banamex, Mexico's largest bank - has started digging trenches to lay down its fibre-optic network between Mexico's largest cities.

Both Telcel and stock market analysts yesterday welcomed the consolidation of the industry.

Mr Jaime Chico Pardo, Telcel chief executive, said: "The recent merger of two of our competitors is probably good for the market. We prefer fewer and stronger competitors to more and weaker players in the market."

Mr Ricardo Peña, director of research at ING Barings in Mexico City, said the Alestra alliance, which whittled down competition to two serious

Continued on Page 14
Seeking second wind, Page 13
Telcel slides 25.3%, Page 19

Assad 'not available' to meet Christopher in Damascus

Conflict enters 13th day



US secretary of state Warren Christopher (left) arrives yesterday in Damascus where he was snubbed by Syrian president Hafez al-Assad. On the right is Syria's foreign minister Farouq ash-Shara. PHOTOCORP

Syria snubs US efforts over Lebanon ceasefire

By David Gardner in Beirut and Julian Ozanne in Jerusalem

US efforts to secure a ceasefire in south Lebanon between Israeli and pro-Iranian Hizbollah guerrillas suffered a setback last night, after President Hafez al-Assad of Syria, the main military power in Lebanon, snubbed Mr Warren Christopher, US secretary of state.

Before he left Jerusalem for Damascus for what was to have been his third meeting with Mr Assad since Saturday, Mr Christopher said his mediation had entered "a very intense period". But he was seen only by Syrian foreign minister Farouq ash-Shara on his return to Damascus, and was told that the Syrian president was not available.

Israel, meanwhile, continued its bombing and shelling of Lebanese territory, while Shia Muslim guerrillas returned fire with their ineffectual Katyusha rockets. In one attack early yesterday, Israeli jets destroyed a residential area, south-east of the port of Tyre, removing another piece of the infrastructure that Lebanon has struggled to replace after the devastation of its 1975-90 civil war and Israel's 1982-85 invasion.

Israeli warships continued to pound the coastal highway near Sidon, cutting the artery linking south Lebanon to Beirut and preventing food and medicine from reaching tens of thousands of refugees driven north by the bombardment.

But as the conflict entered its 13th day, UN forces in the south said the ferocity of the cross-

border firing was at about half the level of last week, with Israel mounting 25 air raids in the 24 hours after 6am on Monday, and firing 1,400 shells, and Hizbollah responding with 90 Katyushas.

Mr Christopher was moving between Jerusalem and Damascus in an attempt to get agreement on a formula for a ceasefire and "written understandings to prevent this kind of fighting in future", Mr Nicholas Burns, state department spokesman, said. But the snub, and Mr Christopher's return to Jerusalem last night appeared to rule out any early breakthrough.

Washington had initially wanted not only a return to a 1983 understanding, brokered by Mr Christopher, whereby Israel and Hizbollah would refrain from targeting civilians, but a deal whereby guerrilla attacks on Israeli forces inside the south Lebanon "security zone" occupied by Israel would cease. The US intention is to "prevent hostilities on either side of the Lebanon-Israel border", Mr Burns said yesterday.

This skirts the question of where the border is, because of a 14-year Israeli occupation which Syria, Lebanon, and Hizbollah's

financier Iran, insist the Islamist guerrillas are entitled to resist. Lebanon, moreover, whose prime minister Mr Rafik al-Hariri has been in intense negotiations with Mr Assad in the past 48 hours, is determined that the issue of the Israeli occupation should be part of any new understanding with Israel.

France, whose foreign minister Mr Hervé de Charette started mediation efforts before the US, had argued for a more codified version of the 1983 undertakings. However, according to the Israeli daily newspaper Haaretz, Mr de Charette has now also suggested a deal to commit Israel, Syria and Lebanon to resume talks on a permanent peace, with a phased withdrawal of Israeli forces from south Lebanon to be replaced by a mixed multinational force and the Lebanese army.

The US, with Israeli backing, has insisted that it is the only power capable of securing a deal, while refusing to talk to Hizbollah or Iran. Mr Christopher's difficulty is that Syria, Lebanon, Iran and Hizbollah all lean towards the French formula, and Mr Assad seemed to be underlining that last night.

Swiss banks agree to search for Holocaust victims' funds

By Jurek Martin in Washington

The Swiss banking industry, legendary for its secrecy, has bowed to pressure from world Jewish organisations to establish a joint independent commission to search for funds of Holocaust victims that may have lain dormant for over half a century.

But sharp differences emerged at a US Senate banking committee hearing yesterday over the amounts involved. Mr Hans Baer, a senior Swiss banker, said that only \$F38.7m (\$31.4m) had been positively identified so far, while Mr Edgar Bronfman, president of the World Jewish Congress, suggested "several billions may be closer to the truth".

The Swiss authorities also came in for some sharp, if technical, criticism from the Clinton administration for their lack of willingness to delve into their country's bank vaults.

Mr Stuart Eizenstat, deputy secretary of commerce, said the

US had expressed official concern over the \$F300 fee charged for account searches and was unimpressed with what he implied was Swiss equivocation over what exactly constituted a "bank" in the war years.

Congress also warned it was willing to become involved. Mr Ben Gilman, chairman of the House international relations committee, said: "The full co-operation of the Swiss government and all its financial institutions must be obtained, so that a full and impartial accounting, by a neutral non-Swiss third party, can be realised at the earliest opportunity."

Mr Baer, chairman of Bank Julius Baer and a member of the executive board of the Swiss Bankers Association, conceded: "We are concerned that recent media coverage has tended to portray Swiss banks as resistant to identifying and dealing with the funds of Jewish people under threat of Nazi persecution that

were deposited in our institutions before and during world war two."

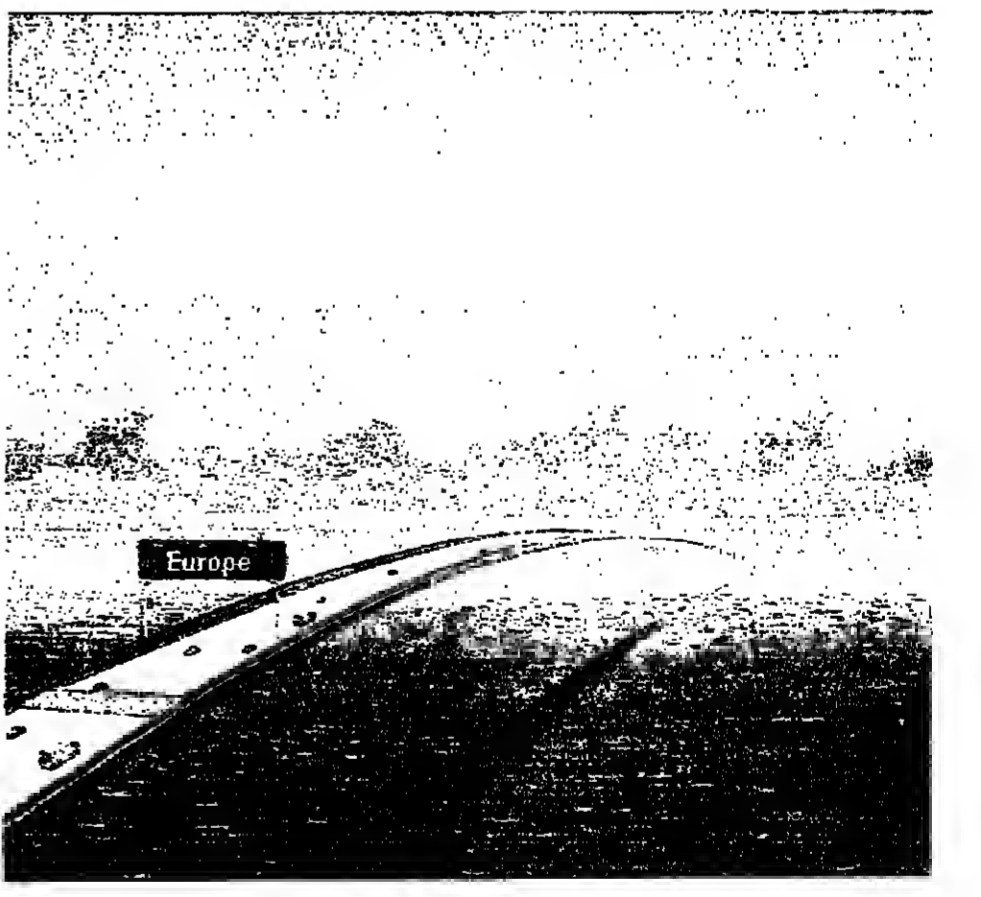
Last September, the banks opened an office to deal with inquiries but Jewish organisations continued to demand an independent investigation. Mr Baer, who is also patriarch of Zurich's most prominent Jewish family, said the proposed commission would be made up "of distinguished individuals whose experience and integrity are well known".

Half its members would be nominated by the Swiss Bankers Association and half by the World Jewish Restitution Organization, with "an internationally recognised independent accounting firm" and other "experts" also to be recruited.

This was welcomed diplomatically by Mr Eizenstat as a "positive step", but less enthusiastically by Mr Bronfman who said the Swiss bankers could not be allowed to appoint the auditors.

STOCK MARKET INDICES	
New York: Dow Jones Ind. 6,573.41 (+6.87)	NASDAQ Composite 1,161.82 (+7.52)
Europe and Far East	
DAX 2,111.28 (+4.98)	
NIKKEI 12,119.80 (+1.7)	
US LONGTERM RATES	
Federal Funds 5.1%	
3-mth Treas Bill: 5.062%	
Long Term 5.78%	
10 yr 6.78%	
OTHER RATES	
UK: 3-mo Interbank 6%	
France: 10 yr DAT 10.63%	
Germany: 10 yr Bund 8.75%	
Japan: 10 yr JGB 8.74%	
NORTH SEA OIL (Argus)	
Brent Dated \$20.175 (18.43)	

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WestLB

Three party leaders and former speaker fail to win seats in new legislature

Prominent heads roll in Italian vote

By Robert Graham in Rome

Many notable figures failed to find a seat in Italy's general election on Sunday.

When the final results were published yesterday, it emerged that three party leaders - a former speaker of the chamber of deputies and two ex-spokesmen for Mr Silvio Berlusconi, the Forza Italia leader, were not in the country's 13th postwar legislature.

In most cases their exclusion was a product of the quirks of the electoral law - politicians who fought the 25 per cent of the seats allocated under proportional representation.

The main casualties were Mr Carlo Ripa di Meana, head of the Greens and a former Italian commissioner in Brussels; Mr Marco Pannella, founder of the Radicals and indefatigable campaigner for lost causes, who allied at the last minute with the rightwing Freedom Alliance; Mr Gerardo Bianco, the leader of the Popular Party (PP) formed from the left of the old Christian Democrats; and Mr Giorgio Napolitano, former speaker of the Chamber of Deputies and one of the most active of the Communist figures now in the Party of the Democratic Left (PDS).

The two former spokesmen for Mr Berlusconi were Mr Antonio Tajani and Mr Jas Gawronski.

The final voting figures reveal that the winning Olive Tree alliance of eight centre-left parties won a consistent pattern of votes countrywide. The PDS, the dominant partner, maintained its support virtually unchanged from the 1994 general election, scoring highest in the traditional "red belt" of Emilia Romagna, Marche, Tuscany and Umbria, with around 35 per cent of the vote.

Reconstructed Communism, (RC) formed from the old Communist hardline, improved its 1994 performance, scoring as high as 12 per cent in Umbria but also doing well at the expense of the PDS in the south.

In the 1994 election a group of former democrats, including the PFI, stood alone in the centre and picked up just over 15 per cent of the vote. This time, party splits and the formation of Italian Renewal by the caretaker premier Mr Lamberto Dini saw this vote distributed unevenly. The bulk of this group's slightly larger share of the vote (11 per cent) went to the centre-left, while just over 6 per cent went to the Freedoms Alliance. This shift of the centre vote to ally with the left was a key element in the Olive Tree's victory.

On the right, Forza Italia held up well, averaging 20.6 per cent nationwide - less than one point down on 1994. Its most impressive performance was in Sicily with as much as 33 per cent of the vote in some constituencies.

The weak point on the right was the disappointing performance of Mr Gianfranco Fini's National Alliance (AN). Though it won almost 16 per cent of the vote - two percentage points up - AN suffered from a spoiling challenge from former colleagues faithful to the fascist ideals of Mr Pino Rauti, the former MSI leader. AN said yesterday it had lost 33 seats to the Olive Tree because of Mr Rauti's spoiling tactics, especially in the Rome region.

The young vote appeared to have been less pronounced in favour of AN than expected, with a shift to the Olive Tree parties as well as to the Northern League.



Mr Umberto Bossi's League has done better in the election than it had dared hope, strengthening its position in the north. Although it will not hold the balance of power, its support is likely to be sought by the government on some issues.

Northerners smile on League decision to cast off alone

By Andrew Hill in Milan

Mr Umberto Bossi, leader of Italy's federalist Northern League, has made a show of being grumpily disappointed about the outcome of Sunday's elections, but the smiles of his close supporters have betrayed him: the League has done better than it dared hope.

This time last week few thought the party would now exist as a serious parliamentary force except in its own self-styled "Parliament of the North" in Mantua. In fact, the abrasive Mr Bossi's decision to run alone against the right and the centre-left won the League 59 seats in the lower house of parliament, and 27 in the Senate.

That is fewer than the League won in the last general elections in March 1994 but then the party was part of an electoral pact, which meant Mr Silvio Berlusconi's Forza Italia did not oppose its candidates in many constituencies. Sunday's result was also achieved in spite of the fact that Mr Berlusconi's Freedoms Alliance and the Olive Tree centre-left alliance received far more television coverage than the League.

The poll has strengthened the League's position in the north. In Lombardy the party received a quarter of the votes cast,

in the rich north-east nearly a third. The League calls for an independent Padania - a new distinct region in the Italian north - but it also campaigned on more mundane issues.

The result shows that many northern voters are unhappy that little has been done in the last two years to end bureaucratic inefficiency or lighten the fiscal and administrative burden on small and medium-sized companies.

The success of the Olive Tree means the League does not hold the balance of power in parliament, as perhaps Mr Bossi had hoped. But Mr Romano Prodi, leader of the centre-left, confirmed yesterday that on certain questions the new government may turn to the League for support.

The advantage of having the free-market League as an occasional parliamentary ally is that the party is enthusiastic about issues such as privatisation, or adherence to the criteria for European monetary union, where the centre-left's Marxist electoral allies are lukewarm. The disadvantage is that Mr Bossi is a volatile partner, as proved in 1994 when the League's withdrawal from the Berlusconi coalition brought down the government. His gravelly rhetoric can be extreme.

In yesterday's *Indipendente*, the pro-League daily newspaper, he claimed the north had a choice between becoming "slaves of Rome, or finally freeing ourselves and pushing the colonisers back to the sea, as far as the Belgian Congo". But, as one of Mr Berlusconi's supporters put it yesterday, "Bossi is not an animal to be tamed with a whip, but a calculating broker, who does only what suits him".

Mr Massimo Cacciari, mayor of Venice and one of the left's leading intellectuals, yesterday urged the new government to open dialogue with the League as soon as possible on the central issue of regional autonomy. "The Olive Tree must make its [federal] proposal, and on this basis begin a positive dialogue with Bossi's people. Then it will be up to the League to choose whether to vote for individual measures or remain in opposition," Mr Cacciari told *Corriere della Sera*, the Milan-based daily newspaper.

Even with the centre-left cautiously pressing for a dialogue, there is still a risk that Mr Bossi could push his luck too far. If he maintains the rival Mantua parliament, for example, or steps up the challenge to Roman political dominance with a campaign of "tax resistance", then the possibility of limited co-operation with the new government could evaporate.

EUROPEAN NEWS DIGEST

Spain ducks cut in interest rates

The Bank of Spain yesterday held off making a further cut in official interest rates, amid uncertainty over the formation of a new centre-right government. Most analysts were predicting at least a quarter-point reduction after last week's move by Germany's Bundesbank, but the central bank kept its rate at 7.75 per cent. Its decision, which followed a surprise half-point cut three weeks ago, signalled caution over prospects for a further fall in inflation this month, as well as over the political situation.

Negotiations on a parliamentary pact between the centre-right Popular party and Catalan nationalists following the March 3 election have taken longer than expected, and it remains unclear when a new administration will be sworn in. Analysts said Spain still had room to cut interest rates, which have already come down by 1.5 points since mid-December. Meanwhile, Spanish exporters are becoming concerned about the peseta's relatively high exchange rate, after trade figures for February showed a deficit 33.5 per cent higher than the same month last year.

David White, Madrid

Russia tightens banking rules

The Russian central bank yesterday announced plans to stiffen capital requirements for new banks, in an effort to strengthen the country's frail financial sector and protect Russian savers. Mr Alexander Turbanov, deputy head of the bank, said the central bank would raise the earlier capital requirement for new banks from Rb50m (\$1.2m) to Rb120m (\$2.4m) from May 8. New banks would have to operate for two years and have no outstanding debts to the government before being licensed to take retail deposits.

The move is part of the central bank's broader effort to weed out weak commercial banks and avert the wider crisis which many analysts predict could hit Russia's under-capitalised banking sector this year. Mr Turbanov said that last year the central bank withdrew licences from 225 commercial banks, and had revoked another 28 licences so far this year. Losing its licence usually leads to a bank's closure. *Christina Friesland, Moscow*

Czech regional bank is rescued

The Czech National Bank has forced a troubled regional bank into administration after it ran up potential loan losses exceeding its capital base of Kc500m, threatening it with collapse. The central bank said it would provide a bridging loan to Coop Banka, based in the eastern city of Brno, to allow it to continue trading normally while its balance sheet was sorted out and new investors sought. The CNB has also requisitioned Kc495m of Coop Banka's capital to bolster the bank's loan loss provisions. It is said to have deposits of Kc3.3bn and a loan portfolio of Kc4.3bn.

The move is in line with a new tough policy by the central bank to deal with troubled small banks. Coop Banka is the sixth bank either to collapse or require a bail-out by the CNB since 1990. *Vincent Boland, Prague*

Prague MPs settle dispute

The Czech parliament yesterday agreed a shortened agenda for its final session before a general election at the end of May, ending a dispute that suspended parliamentary business last week. The compromise agenda includes proposals on capital markets regulation seen as crucial to the credibility of the Prague stock exchange, but omits cuts in corporate and personal taxes being promoted by the government.

The dispute came after deputies protested at the prospect of all-night sessions to debate over 150 items, and wanted the agenda cut to allow them to concentrate on campaigning.

Investors and stockbrokers regard the capital markets proposals as vital to the transparency and proper functioning of the capital markets, which are plagued by insider dealing at a time of increased activity. The proposals, which are expected to be approved, offer greater protection for minority investors, new rules on company takeovers, and broader disclosure requirements. *Vincent Boland, Prague*

France loses 'racist juror' case

The European Court of Human Rights yesterday ordered France to pay damages to a French defendant of Algerian origin who was sentenced despite a racist remark by a juror. The court said France must pay the FF760,000 (\$11,685) legal costs incurred by Mr Said Remli, who was jailed for life in 1989 for injuring a prison guard during a failed escape attempt.

A majority of the European judges ruled the trial did not respect impartiality criteria set by the European convention on human rights, because the French court had failed to order an investigation into the alleged racism.

The French court threw out a request by defence lawyers that it take account of a racist comment by a juror. The European court found, however, it had no power to order a re-trial and rejected Mr Remli's plea for FF1m compensation. *Reuter, Strasbourg*

French doctors to stage protest

Three French doctors' unions are to hold industrial action today to protest at the government's proposed health care reforms. The unions called on their members either not to go to work or to offer their services to patients as normal without charging.

The strike comes as the French cabinet discusses three measures as part of proposed social security reforms announced last November. The measures cover hospital reform, medicine in urban areas, and the management of the social security system. The unions attacked the reforms as a move towards "rationing", although MG-France, the largest union representing general practitioners, has endorsed the reforms.

The debate comes at a time when France's social security deficit for 1996 is likely to exceed forecasts substantially. Mr Jacques Barrot, social affairs minister, pictured left, said this week it could reach more than FF30bn (\$5.5bn) against the FF17bn originally discussed. *Andrew Jack, Paris*

Swedish journalists in pay strike

More than 2,000 Swedish newspaper journalists went on strike yesterday after pay talks broke down. Their action affected 25 newspapers across the country, including Dagens Nyheter, the nation's biggest-selling broadsheet daily. Another 100 newspapers - most of those published in Sweden - will be hit next week. In common with many industries, pay guidelines in newspapers in Sweden are set in centralised negotiations between the employers and, in this case, the Swedish Journalists' Association. The association rejected an offer of 3.1 per cent pay rise this year and 2.8 per cent in 1997. The employers were prepared to accept a compromise suggested by the state mediation service, but this was turned down by the journalists. The senior editorial staff of many newspapers said they would work to continue publication. *Hugh Carnegie, Stockholm*

Ministers find their measures

European Union consumer affairs ministers agreed yesterday shops should display the cost of a product per kilo, litre, metre, square metre or cubic metre, and not just the price of a specialised will be exempt to avoid imposing too large a burden on small businesses. The new law still has to be formalised, and will only be fully introduced after two years. *Reuter, Brussels*

German welfare system sinks under its weight

Mark Suzman reports on the options for reform

Last night Chancellor Helmut Kohl sat down in private with German employers and union leaders to try to hammer out a compromise on planned budget cuts. While the immediate focus of their discussion was reducing the budget deficit, at the heart of the debate is the more serious question of whether the country's welfare system - based on the social insurance model founded over a century ago by Bismarck - is sustainable.

Traditionally built around four "pillars" of unemployment, accident insurance, health and pensions (a fifth, to cover long-term care for the elderly, was established last year), Germany's welfare state is funded directly by payroll contributions. These go into a wide range of dedicated insurance funds jointly administered by employees and employers which then distribute benefits. Today's contributions go out almost immediately to yesterday's workers and other recipients.

The system has worked for decades and many attribute the country's stellar record in industrial relations to it. In recent years, however, the steep costs of bringing uninsured east Germans into the insurance net after reunification have combined with a

long-term growth in health spending and the demographics of an ageing population to push the funds into deficit.

Making matters worse is unemployment, now more than 4m and still rising. The Achilles heel in the German model is the fact that not only do those without jobs draw income from the unemployment funds for, if uninsured, welfare from the state, but they are also not contributing to the other ones.

The result has been a steady rise in contributions, which are paid equally by employer and employee. These now consume an unprecedented 40.8 per cent of the total wage bill, with pensions and healthcare at 19.2 per cent and 13.4 per cent respectively, making up the bulk. On current trends, both are set to rise further.

Some analysts say the only solution is a root and branch replacement of the existing system with private provision, particularly for health and pensions.

But for the vast majority of Germans, quite apart from the massive transition costs this would require, the existing social insurance system is not just a useful financial cushion but part of the country's post-war national identity.

"There are many problems, but the existing system still has the overwhelming support of the German people," insists Mr Peter Bank, head of planning at the department of health and social affairs in Berlin. "I don't know exactly how they will do it, but the state is obliged to find a solution."

In seeking to meet that obli-

Chernobyl forest fires pose high N-threat

By Frances Williams in Geneva

The accident at the Chernobyl nuclear plant in Ukraine has transformed vast areas of surrounding forest into a "radioactive powder-keg", the United Nations Economic Commission for Europe warned yesterday.

In a serious fire in the contaminated forests - which cover an area bigger than Switzerland - "radioactive ash and fumes can be blown hundreds or even thousands of kilometres in a strong wind", says the ECE. A recent blaze threw 350 tons of radioactive ash into the atmosphere.

The number of fires in the contaminated forests in Ukraine, Belarus and Russia has risen to record levels because the forests are too dangerous to enter and manage, the ECE says in a report to coincide with the 10th anniversary of the Chernobyl disaster on Friday.

There are an average 2,200 fires a year in the contaminated forests, compared with 1,800 before the Chernobyl accident. Several hundred thousand people have been contaminated by radioactive ash and fumes.

The UN body is urging immediate action by the international community to avoid another nuclear disaster, which, it says, could be prevented by inexpensive measures. These include protective clothing, vehicles, saws, instruments to measure radioactivity and robots to work in the most dangerous areas.

The ECE also calls for the use of satellites to detect fires at an early stage.

EU companies warned against defensive stance

By Noel Buckley in Brussels

European companies must not retreat into defensiveness and aggressive cost-cutting at the expense of innovation if Europe is to compete with emerging economies such as the Asia-Pacific region, EU policy-makers are to be warned.

Radical changes in attitudes and business processes to avoid further European business failures are called for in a report by management consultants Arthur D Little presented to MEPs last night.

"Too many European businesses are responding to competition from lower-cost operators in other regions by drawing in their horns and adopting defensive strategies, instead of pursuing innovation and new opportunities, the report says.

"European companies have been completely intimidated by cost pressures, although they will never really get down to the cost levels of eastern Europe or Asia-Pacific," said Mr Tom Sommerlatte, managing director of Arthur D Little Europe. "So they are failing to exploit the opportunities for new, intelligent products, services and technologies. What is amazing is that company executives are saying this themselves."

The report says over-emphasis on costs is often coupled with "insufficient attention to building on inherent strengths of European companies: their technology resources and their people".

European companies have fallen behind in technology-based growth sectors such as IT, microelectronics and biotechnology, not because of weaknesses in the technologies, but because of "poor conversion of technologies into attractive new products and into successful business moves".

Another reason for this is failure to share corporate knowledge. The report warns that European businesses are "excessively functionally- and hierarchy-oriented", producing a divisive, "silo" mentality between different functions such as R&D, engineering and marketing. Lack of "team attitude" can be evident right up to board level.

A "learning culture" needs to be fostered through teams bringing together members from all parts of a business. On the broader business environment, the report urges European institutions to continue efforts to deregulate and liberalise industries, and break down monopolies.

Restructuring of European industries across national boundaries and the creation of truly pan-European businesses is essential, Arthur D Little says. In that way, companies can exploit the biggest potential advantage of European businesses: multicultural staff and leadership.

"Companies with multicultural leadership can benefit from all the different inputs," said Mr Sommerlatte. "The British, for example, may be more inventive; the Germans more practical. Harnessing the strong points of each nationality could create a major competitive advantage."

Superfast hauls Greek athletes aboard

By Kevin Hope in Athens

Superfast Ferries, a leading Greek passenger shipping company, has offered to pay an income and travel expenses to seven athletes in training for this summer's Olympic Games in Atlanta.

Company officials said the Greek track-and-field athletes' prospects for winning a medal were bright enough to justify endorsement, while lingering resentment about the choice of Atlanta over Athens for the centennial modern Olympics appears to be fading.

The group includes Vniia Patoulidou, the first Greek in the Games' modern era to win a track-and-field gold medal with a victory in the 110m hurdles at Barcelona in 1992.

Mr Dimitris Adrioopoulos, Superfast's marketing director, said the company had signed 18-month agreements with athletes "who we think have good medal prospects both in Atlanta and at next year's world track-and-field championships in Athens".

The company is also sponsoring a Bulgarian athletics coach, George Pomaski, who is

credited with bringing Greek long, high- and triple-jumpers up to international standard.

In team sports such as soccer and basketball, formal sponsorship deals with Greek companies have already replaced unofficial arrangements with individual Greek shipowners who paid for first-division clubs to acquire foreign players and also covered operating losses.

Thanks to sponsorship, Panathinikos, which last month won the European basketball championship, is one of half-a-dozen Greek clubs that can

afford top-ranked US players, according to officials at the Yiannacopoulos group, a Greek pharmaceuticals company which has a controlling stake in the club.

Superfast decided to sponsor individual track-and-field contestants because "classical athletes were being ignored even though they have a very positive image and they really need the money", Mr Adrioopoulos said.

Of the sponsored athletes, only Ms Patoulidou has a regular income as a junior officer in the navy, where Greek

Olympic medalists are traditionally offered a commission.

Whatever their chances in Atlanta, the seven Greek athletes will become better known ahead of the Games by appearing in a 30-minute film to be shown daily this summer on Superfast's ferries.

Superfast overtook other Greek passenger operators during its first year in business, capturing 40 per cent of tourist and truck traffic in 1995 on the Adriatic crossing between Patras and Ancona, the most competitive route between Greece and Italy.

سكوا من الأصل

Nato drops plan to cut Bosnia force

By Bruce Clark in Brussels

Nato commanders said yesterday they had dropped their plan to start pulling out of Bosnia in June, and would maintain their current force of about 60,000 men until at least September.

But defence chiefs from the 16-nation bloc, meeting at Nato headquarters in Belgium, insisted that it was premature to discuss the possibility of keeping a western military presence in Bosnia beyond 1998.

The main reason for retaining the mission's full strength through the summer was to ensure stability until Bosnia-wide elections that must take place by September, said Gen John Shalikashvili, the US armed forces chief.

"It was felt very strongly that at the time of these elections, we need all the troops," he told a news conference. General Jean-Philippe Douin, the French armed forces chief, said the duration of the western military effort would depend on the success or failure of the poll.

The elections are supposed to create Bosnia-wide institutions, embracing all ethnic groups. But western politicians are beginning to admit that there is little sign of a lasting improvement in inter-communal relations.

Mr Malcolm Rifkind, UK foreign secretary, last week said there had been "very little progress" towards reconciliation: the Moslem-led government was barely communicating with the Serbs, and Croat-Moslem tension remained high.

General Douin yesterday said Nato faced a "very complex" problem in ensuring security and freedom of movement throughout Bosnia between now and September — the period known in Nato's jargon as phase four. "We have to succeed with phase four, because that will determine whether there is a withdrawal or not," he said.

The French general's presence at the meeting reflected France's decision last December to move closer to the military wing of Nato, which it abandoned in 1966.

President Bill Clinton has given US voters a firm promise that the 20,000-strong US component of Nato's Implementation Force (Ifor) will have withdrawn by December. European governments are reluctant to stay in Bosnia without the Americans.

However, military experts believe that if it remains at full strength until early autumn, Ifor may not have enough time to extract all its armour by the end of the year. As long as Nato armour remains in Bosnia, some troops will have to guard it.

While it still looks likely that Ifor's formal existence will be terminated in December, Nato planners are believed to be considering options for a western military or even police presence to continue under some other aegis.

Whatever happens on the ground, alliance commanders will probably argue for continued surveillance of the region by western ships and aircraft — to watch for any military manoeuvres in breach of the Dayton agreement.

Troubled debut for Turkey's reluctant coalition

New premier Mesut Yilmaz is facing difficulties on Kurdish and other fronts, reports John Barham

There is a tradition in Turkey for incoming governments to promise to end the country's Kurdish insurgency. The new conservative coalition of Mr Mesut Yilmaz, which took office in March, is no exception.

Officials say a package containing radical initiatives to stop the conflict, in which more than 20,000 civilians, guerrillas and soldiers have died since 1984, will soon be ready. The package would allow broad-based education in Kurdish, would lift emergency rule in the predominantly Kurdish south-east and would strengthen local government there.

These are daring proposals in a country where until recently it was a crime to speak Kurdish and where it is still considered an act of terrorism even to discuss autonomy or federation for Turkey's 15m Kurds.

However, it is also traditional for new governments' peace plans to quietly wither while the armed forces continue their war against guerrillas of the Kurdistan Workers party (PKK). Mr Yilmaz had planned to hold a cabinet session in Diyarbakir, regional capital of the south-east, today during which he would announce the long-awaited package. However, the meeting has been quietly postponed.

Instead, security forces have launched their ritual spring offensive against the PKK. Three weeks ago troops began attacking PKK mountain camps, killing hundreds of suspected rebels. Every year command-



Yilmaz: daring proposals quietly dropped



Ciller: feuding with government partner

ers promise a "final offensive" to eliminate the PKK once and for all. Yet every year, the guerrillas emerge from winter refuges and the fighting continues.

Mr Yilmaz is also having trouble holding his coalition together. Many Turks hoped the new government, an alliance between his Motherland party and the True Path party of his rival Mrs Tansu Ciller, would usher in a period of reform by co-operating, instead of opposing each other.

Yet their fractious coalition has yet to produce effective policies, even though they share the same pro-western, free market and secular values. As well as sharing out senior

appointments, both parties have veto powers over policy. The two leaders are to rotate the premiership: Mr Yilmaz holds power until December, when Mrs Ciller takes over for two years, followed by Mr Yilmaz again for another year. A True Path politician other than Mrs Ciller is to lead the government in its final fifth year.

To complicate matters further, the coalition is 15 seats short of a majority in parliament.

The government's only major initiative, an offer a month ago to hold unconditional talks with Greece to end their decades-old dispute, has made little progress. Athens says Mr Yilmaz's proposals are insufficient.

Relations are so bad that a minor incident on Monday in which a Greek coastguard vessel fired on a Turkish fishing boat sparked off a diplomatic row. Greece and Turkey, both Nato members, almost started fighting over two uninhabited Aegean islets in January.

Meanwhile, feuding between the True Path and Motherland continues to weaken the government. Mr Yilmaz has refused Mrs Ciller support in a parliamentary vote today on demands by the Islamist opposition Refah party to begin anti-corruption investigations into her 1993-95 government.

And the parties still cannot decide who should control economic policy.

Motherland and big business want Mr Risdin Saracoğlu, a minister of state and respected former central banker, to be in charge. Mrs Ciller wants her protégé Mr Üfuk Söylemez, another minister of state but one who commands scant support outside her circle, to have the job.

Motherland had promised a "realistic" 1996 budget with credible inflation and deficit estimates, but Mr Yilmaz finally accepted a compromise concoction that convinced almost nobody. The budget, approved on Monday, allows for a deficit of \$11.7bn, equivalent to a quarter of planned expenditure. A more realistic deficit forecast, bankers say, would be about \$15bn.

A team from the International Monetary Fund is due in Ankara next month for talks on a new standby loan to replace the \$960m package that unravelled last year. But the opposition, led by Refah, the largest party in parliament, promises to block tough austerity policies and structural reforms.

Although economists believe the economy will improve during the summer, when inflation traditionally falls and export and tourism earnings rise, they warn that Mr Yilmaz must start reforms before the autumn or risk losing control of the economy. It would be depressing if Mr Yilmaz followed Mrs Ciller's strategy of retaining political support by escalating the popular military campaign in the south-east while avoiding harsh economic reforms.

SPD pressed on telecom reform

By Michael Lindemann in Bonn

Mr Wolfgang Bötsch, the German minister for post and telecomm, yesterday warned that passage of a new law to regulate Europe's largest telecoms market after liberalisation in 1998 may be delayed beyond July unless the opposition Social Democratic party (SPD) is prepared to give way on certain key issues.

Presenting the government's response to changes proposed last month by the Bundesrat, the upper chamber of parliament which is controlled by the SPD, Mr Bötsch said several important events depended on prompt passage of the law.

These include the partial privatisation of Deutsche Telekom, Germany's largest stock exchange listing, in November and the July liberalisation of telecoms networks owned by leading companies planning to compete with Deutsche Telekom, a measure being pushed by the European Commission.

"I am beginning to worry that by making impossible demands [the Bundesrat] may delay passage of the law," Mr Bötsch said. "That would have terrible consequences."

The minister insisted that the government would not permit municipalities to charge for the carriage of telecoms services across their gas and electricity networks which the Bundesrat, the chamber repre-

senting the 16 German Länder, last month voted to approve.

A further sticking point, on which Mr Bötsch indicated some movement, is the future regulatory authority. The Bundesrat had proposed an authority including Länder representatives but the minister suggested he would be prepared only to allow the states some say in the appointment of a staff which he insisted must be "professional" and not "political".

Mr Bötsch's concerns have been heightened by the fact that the government and the SPD agreed in December to present jointly the new law to parliament, a pact which was supposed to accelerate passage of the law.

The minister said yesterday he hoped Mr Hans Martin Bury, the SPD deputy who conducted negotiations on behalf of his party, could make the agreement stick against resistance which, Mr Bötsch said, appeared to be growing among members of the SPD's parliamentary parties. Mr Bury said he could not comment on the government's position because he had not studied Mr Bötsch's latest comments.

Pressure is being put on SPD deputies by the municipalities, traditional SPD constituents, which want to ensure that they can charge for the carriage of telecoms services across their networks, the minister said.

PUBLIC NOTICES

SCOTTISH EQUITABLE POLICYHOLDERS TRUST LIMITED

NOTICE IS HEREBY GIVEN that the third ANNUAL GENERAL MEETING of Qualifying Policyholders of Scottish Equitable Policyholders Trust Limited will be held at the offices of Scottish Equitable plc, 1/3 Leith Walk, Edinburgh, on Tuesday 21 May 1996 at 2.15 pm for the following purposes:

- To consider the Report on the activities of the Company for the year ended 31 December 1995.
- To approve the aggregate ordinary remuneration to be made available to the Directors of the Company.
- To reappoint Directors of the Company retiring by rotation at the Meeting, namely:
 - Maxwell C B Ward
 - Paul H Green
 - David A Berridge

Any Qualifying Policyholder who is entitled to attend and vote is entitled to appoint another person who need not be a Qualifying Policyholder as his proxy to attend and vote instead of him. A proxy is entitled to vote but is not entitled to speak except to demand or join in demanding a poll. Proxy forms, which can be obtained from the Company Secretary at the following address, must be deposited at 28 St Andrew Square, Edinburgh EH2 1YF before 2.15 pm on 19 May 1996.

Every Qualifying Policyholder whose policy, as at the commencement of the Meeting, is in force, and has been at least one year in force, is entitled to attend and vote at the Meeting. "Qualifying Policyholders" for the purposes of this Notice has the meaning set out in the trust deed executed by the Company on 31 December 1993 and extends to:

- any person who was a member of Scottish Equitable Life Assurance Society and whose policy has been transferred to Scottish Equitable plc;
- any person who has a with profits policy with Scottish Equitable plc where the policy has been linked to the With Profits Sub-Fund for a continuous period of at least one year as at the commencement of the Meeting.

Any queries in respect of the qualification of policyholders to attend and vote at the Meeting should be addressed to the Company Secretary (at the address specified below).

28 St Andrew Square
Edinburgh EH2 1YF

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PH Green
Managing Director

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NEWS: ASIA-PACIFIC

Trial to reveal as much about Japan as Aum

By William Dawkins in Tokyo

For many Japanese, the nature of their society goes on trial alongside Mr Shoko Asahara, the dysfunctional guru who this morning appears in court to face murder charges over his alleged masterminding of last year's lethal gas attack on the Tokyo subway.

Mr Asahara, leader of the mystical sect Aum Shinrikyo, will face 17 counts of murder and attempted murder, for which the penalty is death by hanging.

But the most striking part of the extraordinary history of his Aum cult is the wave of self-questioning it has inspired in Japan, likely to intensify as evidence unfolds in the court.

Mr Asahara will be driven, surrounded by massive security, from a central Tokyo detention centre into Tokyo District Court, a short walk from the scene of the gas attack, where 12 died and more than 5,000 were made ill in March last year.

It is said Mr Asahara intended the attack to be the harbinger of an apocalypse, which he had prophesied, to be followed by his alternative government.

Public prosecutors have planned a cathartic start to what would normally be a deadpan process. The guru will be led to the dock, handcuffed and with a rope round his waist, to listen to a grim roll call of all those who died or needed hospital treatment.

It has been heralded in the Japanese press as the trial of the century - not this one, but next, when final judgement, after the expected appeal, is likely to come under Japan's uniquely slow legal system. Public prosecutors in Japan rarely fail to get a conviction, and there is no jury system. So the verdict on Mr Asahara, if not Japanese society, is in no real doubt.

Most of the 10,000 who followed Mr Asahara, of which 12 also face murder charges, were from solid middle class families, not marginal outcasts. What has confused Japan is that many of them were sons

and daughters of senior executives in top companies, with degrees from the best universities.

Debate about Aum during the past year has centred on two questions. Why did so many children reject their parents' drive for collective economic power in favour of a stranger idol? And why were the police, media and others so passive for so long?

Mr Hotaika Katsuhira, a professor at Tokyo University, is one of many senior educators who believe an educational system which teaches pupils to absorb rather than question is to blame for failing to offer a more stimulating alternative.

In return for complete loyalty and surrender of worldly goods - deviation from which was punished by death - Mr Asahara offered a vivid experience to children of a grey generation. In a sense, argues Mr Katsuhira, Japanese society brought the Aum tragedy on itself.

Many people in Japan knew about the cult's activities in advance of the attack. Yet astonishingly little was done to challenge it. Newspaper reports as early as 1989, when Aum registered for tax relief as a religion, told of parents attempting to retrieve teenage children from the cult.

They even formed an action group, represented by a young lawyer, Mr Tsutsumi Sakamoto. He, with his wife and baby son, were among Aum's first victims, abducted from their Yokohama apartment and killed the same year. Their murder is just one of the charges that Mr Asahara faces.

More disturbing, Mr Sakamoto had shortly before his death recorded an interview with Tokyo Broadcasting System denouncing Aum. TBS had privately shown the interview - never broadcast publicly at Aum's request - to Aum itself just before the Sakamoto's disappearance.

The implications of TBS's passive compliance have rumbled through parliament and the nation's newspapers. This and other questions will no doubt rumble louder in court.

Yeltsin set to capitalise on Sino-US strains

Beijing and Moscow have much riding on this week's visit by the Russian president, writes Tony Walker

Mr Boris Yeltsin, Russia's president, is likely to receive an effusive welcome in Beijing this week and for that he can probably thank present difficulties in Sino-US relations.

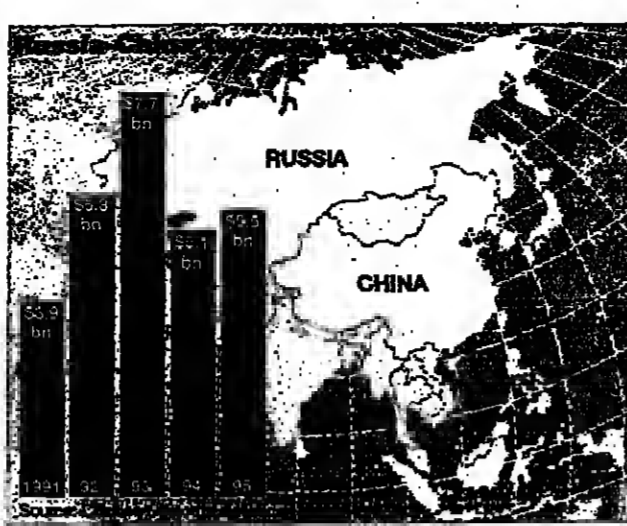
China is giving every indication it plans to use the Yeltsin visit which begins today to emphasise that while its relationship with the world's remaining superpower may be awkward, ties with Russia are relatively trouble-free.

Whether the current warmth in Sino-Russian relations will translate into a more extensive commercial partnership, however, is another matter. The Russians hope so, and Mr Yeltsin's party includes a hefty business representation.

But two-way trade lags behind other countries and Russian investment in China is negligible. Bilateral trade last year of \$6.4bn is about one-tenth of Sino-US trade.

The Russians themselves are realistic about prospects. "The US is one of China's main sources of technology and capital. In real economic and political terms relations with the US are second to none," said a Russian official in Beijing.

But the Russians will be seeking to capitalise on Chi-



na's desire to balance its troubled relations with the US to press their commercial interests. Agreements to be signed during Mr Yeltsin's visit include a memorandum of understanding for the joint development of a pipeline to transport Siberian gas to Chinese consumers and industry.

Russian officials say the memorandum will cover a joint feasibility study. Among options is the routing of the pipeline through North Korea to supply gas to South Korea

and Japan. Officials say, however, that gas prices in China will have to rise to make the project feasible.

Mr Yeltsin will also press for Russian involvement in China's \$30bn Three Gorges dam project. A Russian consortium has been formed to bid for the right to participate in the supply and construction of power generating units. Russian industry is also competing with the west in bids to provide conventional and nuclear power stations in China.

Underpinning Sino-Russian trade are defence contracts. China contracted to purchase 26 Su27 fighters in 1992, and is reported to have ordered an additional squadron last year at a cost of about \$2.5bn, but details of the extent of defence co-operation are sketchy.

One of the impediments to development of a Sino-Russian military partnership has been haggling over payment. Russia demanded cash, while China held out for barter terms. These difficulties are said to have been ironed out, opening the way for a relatively extensive military relationship under an agreement signed in November 1993.

A Russian official in Beijing said Russia was well placed to increase military sales since "no country apart from Russia is eager to sell China modern weapons". But he added: "We are not exporting weapons to China indiscriminately."

Mr Yeltsin is also due to initial a five-year agreement for border security consultations with China and the three central Asian republics - Kazakhstan, Kyrgyzstan and Tajikistan. Russian and Chinese officials stress the consultative agreement is not a security pact, but there is also no doubt

Moscow views closer relations with Beijing as a counter to Nato's eastward plans.

General Pavel Grachev, Russia's defence minister, said last November after a review of Russia's strategic priorities that "if Nato looks east, then we will also look east and find allies with whom we can solve security problems".

Border questions have provided the one slightly discordant note on the eve of Mr Yeltsin's visit. Mr Vyatnyy Nazratov, governor of Russia's far eastern Primorsky region, has denounced demarcation of the eastern border as "unjust" under a 1991 treaty. Mr Yeltsin has dismissed Mr Nazratov's objections as a minority view.

Beijing may wish to emphasise its "good neighbourly" relations with Russia, but there is no indication of any interest in defence links beyond ensuring calm along the 4,900km Sino-Russian frontier and access to military hardware. China's main preoccupation is commercial. One concern is its trade deficit with Russia, of \$2.13bn last year compared with \$1.9bn the year before.

Among impediments to increased commercial ties is

the absence of a network of Russian banks in China and Chinese banks in Russia. This was less important in the days when the vast bulk of trade was transacted on a barter basis by state corporations through a common clearing account. Now, however, most transactions are cash.

Only one Russian bank has a branch in China - the Bank of Foreign Trade of the Russian Federation - but others are on the way, including Russian Credit Bank. It will take time, however, for them to become established. Other problems cited by Russian officials include the low level of trust between Chinese and Russian businessmen, lack of a satisfactory framework for arbitrating disputes, and a prevalence of shoddy goods from both sides.

But these troublesome issues are not likely to occupy much of Mr Yeltsin's time this week as he basks in the glow of Chinese hospitality. Many treats are likely to be drunk to Sino-Russian friendship.

China yesterday defeated a draft resolution by the UN Human Rights Commission which expressed concern over continuing reports of violations of fundamental freedoms. Editorial Comment, Page 13

Australian inflation rate at lowest for more than year

By Nikki Tait in Sydney

Australia's annual inflation rate slowed to 2.7 per cent during the March quarter, the lowest level for more than a year and a sharp reduction from the previous quarter's 5.1 per cent.

The consumer price index rose 0.4 per cent in the March quarter, compared with market forecasts of 0.6-0.7 per cent. The rate of "underlying" inflation, which attempts to exclude one-off influences, also rose 0.4 per cent, to give an annual rise of 3.2 per cent in the quarter. In the December quarter, underlying inflation rose 0.7 per cent.

The latest figures are seen as particularly significant because they come when wage pressures are threatening to push the Australian economy off course. Mr Bernie Fraser, governor of the Reserve Bank, recently warned that current wage increases, thought to be about 5 per cent over the past year, were not consistent with the monetary authority's aim of a 2.3 per cent inflation rate.

"If wage growth continues to pick up, rather than come back a notch, there will be little option but to raise interest rates," he said last month.

Mr Peter Costello, the new federal treasurer, welcomed the figures, but warned it was still necessary to keep a lid on wage rises. "To lock in low inflation and reduce pressure

on interest rates, it is important that wage growth be restrained within the Reserve Bank target," he said.

Mr Paul Keating, prime minister of Australia until his Labor party defeat in March's federal election, yesterday formally bowed out of public life, when he submitted his notice to resign from federal parliament to Sir William Deane, the governor-general.

Mr Keating, who is 62 and has represented the Blaxland constituency in west Sydney for the past 27 years, said he left parliament "very proud of what the Labor government did, of what the labour movement did, and of what Australians did in the past decade".

NZ ruling party boosted as opposition MP quits

By Terry Hall in Wellington

New Zealand's ruling National coalition yesterday gained a working majority in parliament after the sudden resignation of an opposition MP who defected from the National party only three weeks ago.

Mr Michael Laws said he would resign after admitting he took part in awarding a contract in the North Island city of Napier, where he also serves as a councillor, to a company part-owned by his wife.

The resignation may lead Mr Jim Bolger, the prime minister, to bring forward the date of New Zealand's next general election by a month, to October, if he wants to avoid a

by-election to fill the empty seat.

The maverick MP had been an irritant to the National party since its narrow election victory in 1993, finally quitting the party to join the populist New Zealand First party headed by Mr Winston Peters, a former cabinet minister.

Mr Laws' resignation comes as a blow to NZ First. Opinion polls have shown the party commands support from 23 per cent of electors, making it the biggest threat to National, whose support has fallen to 40 per cent from 42 per cent.

NZ First's rise in popularity has been attributed to an anti-immigration campaign widely seen to be targeting Asians.

This week saw the formation of a political party intending to field candidates to speak for Asian immigrants at the next general election. Last year, 29,000 of New Zealand's 45,000 immigrants came from Asia.

Mr Bolger has attacked Mr Peters' alleged racism, and has called on Asian immigrants to support National. This week the National party named a candidate at the next election.

Mr Laws' resignation will ease pressure on National's narrow-thin majority before the election. The election, which must be held by mid-November, will be the country's first under its new proportional representation electoral system.

NEWS: WORLD TRADE

German engineer threatens steelworks contract with cheaper offer as UK group struggles on final terms

Trafalgar runs into trouble on Thai deal

By Andrew Taylor in London and Michael Lindemann in Bonn

A \$900m prestige construction contract for a Thai steelworks awarded earlier this year to Trafalgar House has run into problems with the renewed emergence of a strong rival German bidder.

Trafalgar, the UK construction and shipping group which was recently taken over by Kvaerner of Norway, was

named in February as the preferred bidder to build Thailand's first integrated iron and steelworks.

Conditional contracts, for one of the biggest Thai projects awarded to a British company, were signed in the presence of Mr John Major when the British prime minister was in Bangkok for the Asia-Europe summit.

Trafalgar, however, has been struggling to agree final terms with Thai Special Steel Indus-

try and is facing the prospect of being unseated by Mannesmann Demag, the German process plant engineer which is trying to undercut the British offer.

Trafalgar yesterday denied reports that it had been dismissed as preferred bidder. It said negotiations over final price and content of the project were continuing with TSSI, a subsidiary of Thai Petrochemical Industry.

TSSI officials have been

reported in local papers as saying the British group had increased its price since February and that Mannesmann was offering a cheaper deal. A decision on the offer is expected to be made by TSSI in the next 10 days.

Mannesmann said yesterday that it was still in talks with TSSI, but would give no indication on the outcome.

The new plant at Rayong on Thailand's rapidly developing south-eastern seaboard would

be built by Davy International, Trafalgar's subsidiary. The plant would be designed to produce 2.7m tonnes of hot liquid iron, 1.1m tonnes of coke and 2.15m tonnes of billets a year. Total cost of the project is approximately \$1bn and operations are expected to begin in early 1998.

One of TSSI's main competitors, Sahaviriya Steel Industries, is contemplating a similar integrated project at its Bang Saphan complex, which

is also along the eastern seaboard.

Sofresid, another Trafalgar House subsidiary, last year won a \$420m (\$650m) contract from Thai Copper Industries to supply and build the country's first copper smelting and refining plant in the same region.

Kvaerner, which paid \$90m for Trafalgar House, has identified south-east Asia as the most important growth market for its international construction business.

Record stocks point to sluggish S Korea car sales

By John Burton in Seoul

South Korea's vehicle stocks reached a record high in March in an indication that the country's car producers will suffer a second consecutive year of sluggish domestic sales.

Unsold vehicles in March totalled 89,745 units, or the equivalent of 17.5 days of domestic production, according to the Korea Automobile Manufacturers' Association.

Inventories have steadily increased from December, when car companies offered no-interest consumer finance to prevent the first fall in car sales in 15 years.

Stocks shrank to 43,502 vehicles in December from the previous monthly high of 82,789 units in November.

Domestic car sales last year rose by only 0.3 per cent against an average annual rate of 10 per cent in the first half of the 1990s.

Analysts blame the slowdown in car sales on a saturated home market and severe traffic congestion.

The growing inventory is regarded as a warning that Korean carmakers are already approaching excess production in spite of plans to almost double output to 5m vehicles by the year 2000.

Faced with slower car sales at home, Hyundai, along with other South Korean carmakers,



Source: Companies

is expanding aggressively into overseas markets, particularly south-east Asia.

Although exports are expected to relieve some domestic pressure, overseas shipments are also predicted to slow to 10 per cent this year from 45 per cent in 1995 as the Korean currency appreciates.

Among the main car companies, Hyundai, the largest producer, had the smallest inventory, equivalent to 9.3 days of production, followed by Kia with 22.3 days and Daewoo with 43.3 days.

Foreign car imports rose 79 per cent to 6,921 units last year in South Korea, spurred by eased import barriers and improved consumer perception. However, they represent only 0.7 per cent of the market.

Caribbean plugs in

Foreign power companies find opportunities in a region's privatisation drive, writes Canute James

North American and European power companies are finding the Caribbean fertile ground for investment.

The Caribbean power sector has long been under state control, but several administrations are inviting foreign participation in the sector. Despite a protracted debate over the merits of a private power sector, the Dominican Republic has finally opted to privatise the state-owned company, CDE, which is to be split and sold in three sections responsible for generation, transmission and distribution. CDE is currently struggling to produce 800MW to meet national demand of 1,150MW. The sell-off is expected to be completed this year, but the new owners will be faced with the unpopular task of increasing rates.

The purchaser of Jamaica's Public Service Company will also have to increase rates, according to Mr Lee W Hogan, chief executive of Houston Industries Energy, one of the companies interested in buying it. The Jamaican government last granted the utility a rate increase in 1991, and there is reluctance to make further adjustments because of political concerns. The Jamaican company currently produces 505MW from its installed capacity of 683MW which will rise to 700MW by August when new generators are commissioned.

The government will require the successful bidder to modernise and improve the Public Service Company's efficiency by spending about \$500m over 15 years which will not be financed solely from the company's operations.

Houston Industries Energy's main competitor for the Jamaican company is Southern Electric of Atlanta. Both have created consortiums with local insurance companies and banks. The government favours local participation in the privatisation. Southern Electric is not a stranger to the Caribbean. The company bought a 49 per cent stake in the Trinidad and Tobago Electricity Commission in 1994.

Prospects for foreign investment in Caribbean electricity have further broadened with the undertaking by Haiti's new government to implement a controversial privatisation programme, including the power company. An official economic plan projects capacity of 1,250MW by 2004. This will cost investors just under \$1bn.

Cuba's invitation to foreign capital could spread to its controversial Juraguas power plant in the southern city of Cienfuegos. Work on the plant stopped four years ago with an end to Soviet support and Cuba's lack of money. Cuban officials say the government wants one or more other foreign partners in a venture it is creating with the Russian government to complete and operate the

plant. Russia will raise more than \$300m of the \$1bn needed to finish the station.

The plant, similar to nuclear stations in Finland, is planned with a capacity of 430MW. Cuba needs generating capacity of 4,500MW. The country has installed capacity of 3,900MW, mostly oil-fired, but only an estimated 35 per cent of this is being used.

Investors will hope that their forays into the Caribbean power market are less complicated than that of WRB Enterprises of Miami which thought it had completed the purchase of half of the Grenada Electricity Company last year. The agreement announced an agreement with WRB, and had said that another 40 per cent of the company was being sold to local institutional and individual investors. The agreement was criticised by trade unions and the political opposition which later took over government after an election and is contesting the privatisation in court.

Meanwhile, a change in the US federal energy legislation four years ago is presenting the Puerto Rico Electric Power Authority (PREPA) with a challenge to its monopoly on the island. Unless of Spain plans a 75MW diesel plant and will sell electricity directly to consumers. Before the change in legislation, utilities such as PREPA had total control of all generation, transmission and distribution.

Tokyo rejects chip pact

By Michio Nakamoto in Tokyo

Japan's trade minister yesterday rejected a proposal by Sir Leon Brittan, the European Union trade commissioner, for a bilateral semiconductor chip pact to replace a US-Japan chip accord which expires in July.

Mr Shunpei Tsukubara, minister of international trade and industry, said a three-way accord as proposed by Sir Leon "is absolutely impossible". His remarks restate the ministry's stance that the issue of foreign market share in the semiconductor industry should be left to market forces.

Mr Tsukubara's comment was in response to a proposal last week by Sir Leon that the US-Japan semiconductor accord be replaced by a trilateral agreement involving the US, Japan and the EU.

Sir Leon had sought to make the EU's participation in a semiconductor agreement a condition for agreeing to remove import duties on electronic components under a proposed global information technology deal.

The US has been pushing for renewal of the semiconductor agreement with Japan, which it believes is important to ensure foreign manufacturers continue to increase their share of the Japanese market. Japan is determined to let its semiconductor accord with the US expire without any further governmental agreement.

WORLD TRADE NEWS DIGEST

Israel in China aluminium deal

United Development, the company controlled by Mr Shaul Eisenberg, the Israeli financier, has formed a \$490m joint venture with Chinese enterprises to process aluminium for use in the beverage, construction and vehicle sectors.

UDI initially will hold 50 per cent equity in the new enterprise, but there are plans to include additional foreign investors. Among possibilities is Clecim of France which may supply the rolling mill.

Chinese partners include China National Non-Ferrous Metals Industry, the provincial government of Heilongjiang and the city of Harbin. The joint venture, to be known as United North-East Aluminium, will be in Harbin in China's far north.

UDI said the project would involve renovation of a plant in Harbin. Production facilities for aluminium alloy high precision sheets, strips and plates, including can body stock, would be the first of their kind in China.

Foreign partners will invest about \$150m in the new facility. The Chinese contribution will come largely in the form of plant and land. The balance of investment will come from bank financing, backed partly by western credit agencies. The plant will account for about 25 per cent of China's present annual requirements for processed aluminium products, which total about 450,000 tonnes.

Tony Walker, Beijing

Tenneco agrees exhaust venture

Tenneco Automotive of the US has joined forces with Jinhouth Automotive of Dalian in China's north-east to produce exhaust systems for the First Auto Works, a truck and car producer. The US company will have 55 per cent stake in Dalian Walker Gillet Muffler, whose initial production will be 60,000 units annually rising to 300,000 units by 2000.

This will be Tenneco's second joint venture in China - the first involves making shock absorbers in Beijing - and reflects the continuing engagement in the fast-growing Chinese motor industry of international companies.

Tenneco's Walker Gillet unit produces 25 per cent of mufflers worldwide. Investment in China represents a fraction of Tenneco's global commitments, but the company expects rapid growth in its involvement. It expected commitments to exceed \$100m by 2000 in the vehicles sector and other activities such as packaging.

Tony Walker

Malaysia signs defence accords

Malaysia's DRB-Hicom motors group, seeking to become a big defence player, yesterday signed memorandums of understanding with three European defence companies to produce military vehicles.

One agreement was with Mowag Motorwagenfabrik of Switzerland to make armoured wheeled vehicles. A second was with Alvis Vehicles of Britain for an all-terrain vehicle and the third was with Hagglunds Vehicles of Norway, also for an all-terrain vehicle. The Malaysian conglomerate said the agreements could pave the way for joint ventures with the three European companies. No value was put on the agreements.

Reuters, Kuala Lumpur

ABB, the Swiss-Swedish engineering group, has won a \$230m order to build a combined heat and power plant at Cottbus in Brandenburg, eastern Germany. The plant, due to start up in 1999, will use locally mined, low-quality brown coal fuel but new combustion technologies mean it will have lower emissions than conventional coal-fired plants, according to the company.

Peter Marsh, London

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the global language
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GSM is the world's first standard in digital mobile communications. It stands for Global System for Mobile Communications – and Deutsche Telekom played a big part in its development. Along with ISDN and Asynchronous Transfer Mode (ATM), it's just one of the foundation stones we are laying for the worldwide information infrastructure of the future.



Deutsche
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NEWS: INTERNATIONAL

Treasury secretary insists World Bank and IMF 'should contribute their own resources to this effort'

US snubs initiative on poor-country debt

By Robert Chote, Economics Editor, in Washington

Mr Robert Rubin, US Treasury secretary, insisted yesterday the US would not make fresh contributions to help finance the joint initiative on poor-country debt drawn up by the World Bank and the International Monetary Fund.

Mr Kenneth Clarke, UK chancellor, kept up his pressure for agreement on the sale and reinvestment of part of the IMF's \$40bn gold reserve to help pay for the Fund's contribution to the initiative. This would probably take the form of extending the maturity of the already highly subsidised loans available to poor countries under the IMF's 'enhanced structural adjustment facility' (Esaf).

But officials said the Germans, Japanese and Swiss remained resolute in opposition to gold sales, although there were signs the French might now concede gold sales as a last resort. 'Gold sales must remain the lead option if we are to reach that final decision to extend the Esaf at our annual meetings in the autumn, which I believe we must,' Mr Clarke told the development committee.

Mr Mohamed Kabbaj, chairman of the development committee, identified no fewer than 10 unanswered questions and areas of dispute relating to the debt initiative ministers would have to grapple with. These include the length of the policy record demanded of beneficiaries, criteria for eligibility, costs, the scope for increased generosity by the Paris Club of creditor government, and the timing of decision making.

and the Fund. Mr James Wolfensohn, bank president, needs success to point to as his first year in office draws to a close; a breakthrough on debt would help cement support for Mr Camdessus if he decides to seek a third term as IMF head beginning early next year. The development committee discussed the report of a working group it had set up to look at operations of the five multilateral development banks. Mr Kabbaj said the report had received 'broad support', but some officials privately describe it as toothless and too obviously the product of a large and unwieldy committee. Editorial Comment, Page 13

INTERNATIONAL NEWS DIGEST

Police track Cairo gunmen

Four members of Egypt's security forces and two Muslim militants were killed yesterday in the southern province of Minya when policemen clashed with three gunmen believed to have shot dead 18 Greek tourists in Cairo last week. The gunmen were suspected members of the Gama'a al-Islamiya, Egypt's largest Muslim militant group, which claimed responsibility for the massacre of the Greek tourists saying it aimed to kill Israeli tourists to avenge those killed in the Israeli bombardment of Lebanon. The group had also warned that it would carry out more attacks, reminding 'the Egyptian regime, headed by the traitor and tyrant Hosni Mubarak, that the war between us continues'.

Ceasefire in Sierra Leone

The Sierra Leone government and its rebel foes agreed a ceasefire yesterday in their five-year civil war and appointed joint groups to work on a peace accord and disarmament. Mr Henri Konan Bedie, Ivory Coast president, who brokered peace talks, told reporters the agreement was a 'definitive ceasefire'. The ceasefire was announced in a joint statement issued after the first talks between Mr Ahmad Tejan Kabbah, Sierra Leone's new civilian president, and rebel leader Mr Foday Sankoh in the Ivorian capital Yamoussoukro. 'They agreed to a continued cessation of hostilities with a view to creating a climate of confidence conducive to the conclusion of a peace accord,' the statement said.

Arafat moves on PLO charter

Mr Yassir Arafat yesterday took another step toward keeping his promise to Israel to scrap clauses of the PLO charter calling for Israel's destruction. Mr Arafat appointed 98 new members to the Palestine National Council, the Palestinians' parliament-in-exile, that will approve the changes in the 32-year-old charter. The appointments helped provide the necessary quorum for the crucial vote, but critics accused Mr Arafat of unfair behaviour by padding the PNC with his supporters. 'Appointments were imposed on us in the past, and this is also true for this round,' complained Mr Taisir Qobah, newly elected deputy chairman of the PNC and a member of a radical PLO faction opposed to peace with Israel. Mr Arafat urged the PNC in its opening session on Monday to approve the changes in the charter, saying it was time to 'start a new era with good relations between us and the Israelis'.

S African unions to strike over constitution

By Mark Ashurst in Johannesburg

The Congress of South African Trade Unions has called a one day national strike next week to bolster its demands for changes to the new constitution, which is expected to become law on May 4. The action has provoked a mixed reaction from Cosatu's allies in the African National Congress, the dominant party in the government of national unity. Business groups warned it would damage investor confidence and spark a further collapse of the ailing rand.

However, the rand closed in London at R4.275 against the dollar from R4.285 on Monday as currency dealers predicted 'a pause for breath' after its frenetic six-week decline, during which the rand has fallen by more than 14 per cent to record lows. Cosatu wants the clause enshrining the right of employers to lock out strikers during labour disputes to be removed from the Bill of Rights. The clause, which was intended to balance the provision in the bill for workers' right to strike, was inherited from the existing interim constitution negotiated

in the run-up to the April 1994 election. The ANC said yesterday it 'supported in principle the right to strike in support of general demands and specifically to press for the removal of the lock-out clause'. But this was tempered by a later statement that the party had not reached a decision on whether the ANC 'fully supported the proposed strike'. Cosatu is also calling for the removal of clauses guaranteeing the right to life and the right to ownership of property. It argues that parliament should have jurisdiction to

reintroduce the death penalty, and to legislate on the restitution of land to victims of forced removals during the apartheid era. Constitutional rights can only be overturned by the constitutional court, and are therefore perceived as undermining the autonomy of parliament, where many former trade unionists are MPs. Despite a groundswell of opposition from its rank and file membership concerned at rising levels of violent crime, the ANC is committed to maintaining the right to life clause. Its insertion in the interim con-

stitution was the basis for the abolition of the death penalty by the constitutional court last year. It is also unlikely to drop the property clause, which is the product of protracted negotiations with other parties in the constitutional assembly. Mr Roelf Meyer, secretary-general of the National party, yesterday criticised the ANC for appearing to condone the Cosatu strike 'while being a party to the negotiations itself'. However, analysts said the dispute over the lock-out clause was a continuation of last year's dispute over the

drafting of the Labour Relations Act, which grants a lock-out right to employers. Unless there were changes to the act, the contest over constitutional provisions was largely symbolic. Business South Africa, the biggest of the lobby groups representing business, said it was 'alarmed' by the strike call. 'The signals Cosatu's campaign sends to the international and investing community are also to be greatly regretted, particularly at a time when the lack of overseas confidence in the rand has had such demonstrable impact.'

Mbeki will have to 'deliver' where Mandela has reconciled

Roger Matthews on the man most likely to be S Africa's next leader

The political and economic tremors that have struck South Africa in the past month indicate that the country has entered a more testing phase, and that responsibility for managing it will increasingly rest with Mr Thabo Mbeki, the deputy president. Unfounded rumours about the health of 77-year-old President Nelson Mandela triggered

an assault on the rand which, in just four weeks, has lost more than 14 per cent of its value against the dollar. The fall has been accompanied by increasingly acrimonious exchanges between business and unions over the direction of economic policy. A subsequent cabinet reshuffle, sparked by the resignation of Mr Chris Liebenberg as finance minister, deepened the

rand's slide. Mr Trevor Mamel was promoted to become the first member of the African National Congress to hold the post, and Mr Pallo Jordan, who as minister of posts and telecommunications had been thought to be performing better than some of his cabinet colleagues, was dropped from the cabinet. While the implications of the reshuffle were still being digested, Mr Cyril Ramaphosa, the secretary general of the ANC, announced he was quitting parliament to concentrate on helping black-owned companies win a larger slice of the private sector.

The one threat most obviously linking these developments is the role and ambitions of Mr Mbeki. His selection by Mr Mandela two years ago as deputy president made him the immediate front-runner for the succession in 1999. The past month has seen him consolidate that position, while strengthening his ability to influence policy in key areas. Whether by design, or through astute manoeuvring, one of the main concerns affecting the value of the rand - who follows Mr Mandela - appears to have been answered. 'Thabo is now, without question, the de facto prime minister and president in waiting,' said a senior ANC member last week. 'He is in virtual charge of economic policy, and Ramaphosa's move means that his only serious political rival

has, at least for the time being, admitted defeat. That leaves Thabo in an overwhelmingly strong position.' This proposition coincides with Mr Mbeki's view that over the next 15 years the evolution of South African politics will be determined by the relationship between the twin processes of reconciliation and transformation. By implication, Mr Mandela will continue to promote the former, and Mr Mbeki the latter.



Thabo Mbeki: seen as South Africa's president in waiting

Mr Mbeki's friends credit him with being an impressive strategist, who is able to strip out details and go to the core of an issue. But they, like many others, have yet to see how his emphasis on transformation translates into policy; how, as Mr Mbeki said last year, 'you can implement a process of transformation in a country with such enormous disparities, in which nobody loses anything'. Those less impressed with Mr Mbeki's talents claim he is much better at posing the questions than answering them. They argue that his rise within the ANC, which embraces a wide range of political views, owes much to his ability to appear sympathetic to all sections. 'His problem within the party is that he does not have a natural constituency,' said an ANC member. So one day he appears to be siding with the more radical factions, and the next with those moving towards a more free-market view of economic management.

'He is also very conscious of just what his standing is at any one moment. And this stops him providing clear leadership and behaving like the president he one day will be.' This assessment coincides with an important part of the mainly white business community who voice concern at Mr Mbeki's apparent unwillingness to set priorities and stick by them. They cite his determination in December to give a decisive push to the privatisation process by announcing companies that would be sold off and others for which minority equity partners would be sought. But in the face of strong union opposition, the impetus appears to have been lost, and privatisation has scarcely featured in Mr Mbeki's subsequent speeches. 'The key question for us is whether he has the political

SINGAPORE offers excellent back-up to computer experts. HERE'S data on other exhibitions.

Table listing exhibition dates and topics: 9-12 Jul Autofact Asia '96, 10-12 Jul Pro Audio & Light Asia '96, 20-28 Jul Asia Pacific Furniture Fair '96, 23-26 Jul Valves & Piping Asia '96, 25 Aug Jewels of Asia '96 - Singapore, 14-16 Aug Asia Pacific Theme Parks and Attractions '96.

Registration form for Singapore exhibition with fields for Name, Title, Company, Address, and contact information.

Commonwealth meets on Nigeria

Commonwealth ministers met yesterday to consider possible action against Nigeria following the military junta's refusal to allow a delegation to visit Lagos to discuss human rights and moves toward democracy. AP reports from London. The Commonwealth, the 48-nation association that groups Britain and its former colonies, suspended Nigeria's membership in November and said it would consider tougher measures, including an oil embargo, if it barred the ministerial visit. The suspension of black Africa's most populous nation followed last November's executions of nine Nigerian dis-

sidents, including playwright Ken Saro-Wiwa. Splits are reported among Commonwealth members on whether harsh measures should be imposed, and whether they would be supported by the US and the European Union. Some EU members have returned their ambassadors, who were recalled after the November executions, and expressed a desire for closer ties with Nigeria. Commonwealth leaders set up an eight-nation committee to deal with persistent violations of democracy, human rights and the rule of law following Nigeria's suspension

at their New Zealand summit. At the committee's first meeting in December, the so-called action group decided to send a five-nation delegation to Nigeria and threatened possible tougher measures. But Nigeria said it would not be welcome until the Commonwealth heard a petition from military leader Gen Sani Abacha protesting at the country's suspension. 'We want a mechanism whereby the grievance of Nigeria will be listened to and addressed,' Mr Uche Okeke, Nigeria's acting high commissioner, said yesterday on BBC Radio 4. 'This eight-member Commonwealth contact group

of ministers - it's not that kind of mechanism we're seeking.' Mr Don McKinnon, New Zealand's foreign minister and action group member, told Radio 4 that the Commonwealth wanted progress to democratic government in Nigeria. Mr Okeke said Nigeria was interested in the Commonwealth, 'anxious to co-operate', and was definitely on the path to a democratic government. The eight-nation action group is chaired by Mr Stan Mudenge, Zimbabwe's foreign minister, and includes the foreign ministers of Britain, Canada, Ghana, Jamaica, Malaysia and South Africa.

Threat to Iraqi oil talks with UN

US and British insistence on a strict observance of the United Nations Security Council's conditions for any resumption of Iraqi oil exports last night threatened to abort negotiations between Iraq and the UN. Iraqi and UN officials called off a meeting tentatively scheduled for yesterday but were expected to return to negotiations today in a new attempt to

resolve their differences. If this third round fails in a series of talks that began in February, Iraq will certainly seek to blame the west for the plight of Iraqi civilians hard hit by UN-imposed sanctions. But Washington and London argue they are doing no more than require firm adherence to the year-old UN resolution to permit Iraq to sell up to \$2bn worth of oil mainly to pay for food and medicine. For his part, Mr Boutros Boutros Ghali, UN secretary

general, who persuaded President Saddam Hussein to relax objections to negotiations, is said to feel that a degree of flexibility is necessary to reach a deal. The main remaining obstacles involve distribution of humanitarian supplies to the Kurds in northern Iraq and the establishment of an escrow account to handle receipts from oil sales. The UN says that Iraq cannot be trusted to distribute supplies to the Kurds fairly

and the world body itself must have control. Iraq wants to name the banks that would hold the escrow account, whereas the UN says that must be its own responsibility. Mr Boutros Ghali, who is an old friend of Mr Tariq Aziz, Iraq's deputy prime minister and adviser to Mr Saddam, has invested considerable personal political capital in the talks, and from the outset he has voiced optimism about their outcome.

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Georg Ehrnrooth

METRA CORPORATION, FINLAND

Mogens Granborg

DANISCO A/S, DENMARK

Sören Gyll

AB VOLVO, SWEDEN

Dr. Hans Dieter Harig

PREUSSELEKTRA AG, GERMANY

Jukka Härmälä

ENSÖ-GUTZEIT OY, FINLAND

Viktors Kulbergs

THE LATVIAN CHAMBER OF COMMERCE & TRADE, LATVIA

Bronislovas Lubys

STOCK COMPANY "ACHEMA", LITHUANIA

Toomas Luman

SIIV-EESTI EHIUS, ESTONIA

Harald Norvik

STATOIL A/S, NORWAY

Professor Yuri M. Perunov

PLESHAKOV SCIENTIFIC & INDUSTRIAL CORPORATION, RUSSIA

Dr. Lars Ramqvist

ERICSSON AB, SWEDEN

Gerhard Roggemann

NORDDEUTSCHEN LANDESBANK AG, GERMANY

Friedel Rödiger

LUFTHANSA AG, GERMANY

Hördur Sigurgestsson

H.F. EIMSKIPAFÉLAG ISLANDS, ICELAND

Dr. Andrzej Skowróński

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Welcome to Stockholm!

Mats Hulth
Mats Hulth
Mayor of the City of Stockholm

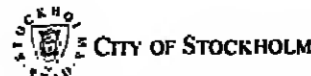
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Bosse Ringholm
Mayor of the Stockholm County Council



meets in

oil talks with

STOCKHOLM
Gateway to the Baltic Sea Region



NEWS: THE AMERICAS

Army commander defies presidential dismissal but people and diplomats rally behind constitution

Paraguayan general sulks in the barracks

By David Pilling in Buenos Aires

A hint of defiance, led by Paraguay's army strongman General Lino Oviedo, appeared to be petering out yesterday, but his blunt challenge to the authority of President Carlos Wasmosy has confirmed the country's reputation as a fragile democracy.

Thousands of demonstrators yesterday rallied in front of the presidential palace in the capital, Asunción, to back Mr Wasmosy's decree to drop Gen Oviedo as army chief. That decision, due to take effect late yesterday, had prompted the general to retreat to barracks on Monday and demand Mr Wasmosy's resignation.

The president, who had gone into hiding on Monday night, was joined in a show of support at the presidential palace by Congress members from all parties and by Mr Robert Service, US ambassador to Paraguay. The heads of the navy and air force issued statements rejecting Gen Oviedo's actions and backing the democratic constitution.

"There is total support for the president," Mr Carlos Dentz, a journalist at the ABC newspaper, said yesterday. "Gen Oviedo now has very few options. At 4pm [local time] he must give up his command of the army, and then he

will have to face trial."

Even if this challenge by the general is de-activated, however, Paraguay retains many characteristics of the old South America, where military and civilian authority mingle. Since its return to civilian rule in 1989, after 34 years under the dictatorship of General Alfredo Stroessner, the country has been poised for a coup.

Gen Oviedo, who played a crucial role in the coup that ousted Gen Stroessner, once declared that the armed forces and Mr Wasmosy's Colorado party "would co-govern for century after century, fall who must fall and cry who must cry."

Since he assumed power in 1993, the president has shown signs of trying to reduce the influence of the armed forces, whose close links with his party go back decades. A constant tussle between Mr Wasmosy and Gen Oviedo has led commentators to call Paraguay a *democracia*, a hybrid of democracy and dictatorship (*democracia and dictadura*).

It is not clear what prompted Mr Wasmosy's daring decision this week to sack the general. The crisis seemed to come to a head after legislative supporters of Gen Oviedo, who has made no secret of his aspirations to assume the presidency in 1998, blocked a bill to award to private companies control of



The commander wanted to stay: President Wasmosy and General Oviedo at a recent ceremony

international toll bridges to Brazil. Gen Oviedo claims that the companies benefited by the legislation have links to the president.

Much political hickering in Paraguay is inspired by tension over business opportunities. In particular, many sections of society - not least the armed forces - are concerned that the country's integration

with the rest of the region could end much of the smuggling that has long been the mainstay of the economy and of individual business interests.

Paraguay is one of four founding members of the Mercosur customs union with Argentina, Brazil and Uruguay. As such, it is slowly coming under pressure to legitimise its national

economic activities.

A special focus of concern from fellow Mercosur members has been the smugglers' paradise of Ciudad del Este, a delight for duty-free shoppers from Paraguay's larger neighbours. The city is said by diplomats to handle some \$70bn of transactions annually - ten times Paraguay's official gross domestic product.

Tension had also risen on account of elections next Sunday for a head of the Colorado party. Gen Oviedo, as a member of the armed forces and so forbidden by the constitution to set politically, had called for the elections to be postponed.

Mr Carlos Martini, professor at the Catholic University in Asunción, said yesterday that strong international support for Mr Wasmosy had probably been sufficient to head off any attempt at a coup. Messages in support of Paraguay's fledgling democracy from fellow Latin American leaders poured in on Monday night, while the US embassy issued a statement demanding that Gen Oviedo obey the presidential decree.

Mr César Gaviria, secretary-general of the Organisation of American States, flew to Paraguay yesterday to give his personal support to the president. Officials from other Mercosur countries said Paraguay's continued membership of the body depended on it remaining a democracy.

Gen Oviedo, whose insubordination has damaged his chances of being elected president in 1998, was yesterday weighing his options in army barracks near Asunción airport. "Everything indicates that he will resign," said Mr Martini. "But you can't rule out a last-minute moment of madness."

US prosecutor attacks bank secrecy laws

By Gley Harris

A US federal prosecutor yesterday told banks that they are no better than prostitutes if they transmit money without knowing their customers or the purpose of the transaction. Mr John Moscow, assistant district attorney for Manhattan, speaking at a conference in Lisbon on money laundering, also attacked bank secrecy laws and warned of tough US action.

"There is no reason why bankers who do what they are told for a fee should consider themselves any better than the prostitutes who do the same," Mr Moscow said. "If you think that the size of the fees makes the conduct better or appropriate, think again, for the penalties are far greater. At least they are if you are dealing with the dollar."

Mr Moscow, who since 1989 has been assigned to prosecute cases related to Bank of Credit and Commerce International, said: "In the BCCI case, we had \$3bn going from Egypt, through New York, to Nassau in the Bahamas and back. I don't suppose that there has been \$3bn in trade between Egypt and the Bahamas in all recorded history. A prudent banker would have asked what business his customers were in."

In a strong attack on bank secrecy laws, he said: "The ancient concept that bank secrecy must be preserved to keep a gentleman's financial affairs confidential - dating back to the days when only gentlemen had cheque accounts, and their servants did not - must give way to the current reality. "Bank secrecy statutes in

international finance are used by crooks, tax evaders, securities fraudsters, and capital flight follows; they are used by narcotics dealers. But they are not needed by honest folks engaged in honest transactions."

He added: "There is no reason why the people in Vanuatu cannot have rigid bank secrecy laws. I do not care what they do among themselves, so long as they are consenting adults. I do care, however, if they try to merchant their sovereignty and impose their sovereignty on New York (along with rest of the civilised world), to protect the narcotics dollars from detection... As we see it, if the money goes through Manhattan, we may well have jurisdiction."

On Monday, a UK expert on money laundering, Mr Rowan Bosworth-Davies, had told the conference that the extra-territorial approach of US prosecutors posed a threat to companies whose business or clients had even an indirect link with that country.

A London solicitor, Mr Miles Laddie of Denton Hall, urged UK professional advisers, including bankers, to seek legal advice before reporting a client's suspected laundering of the proceeds of crime to the National Criminal Intelligence Service.

The duty to report suspected money laundering applied only to cases involving drugs or terrorism, he argued. Advisers needed to take precautions to avoid facing criminal charges by inadvertently "tipping off" the client or being sued by the rightful owner of the money. The two-day conference was organised by International Conference Group.

Dole unlikely to secure sufficient majority in Senate for popular cause

Push for term limits stumbles

By Jurek Martin, US Editor, in Washington

The US Senate yesterday moved towards a vote on term limits for members of Congress, a mostly symbolic gesture designed to reinforce the credentials of Senator Bob Dole, the Senate majority leader and presumptive Republican candidate for the presidential election in November, with conservative and independent voters.

There seemed little chance that the Senate would approve, by the necessary two-thirds majority, the constitutional amendment that would confine senators to two terms of six years each and members of the House of Representatives to six terms of two years apiece. It was not even clear yesterday whether supporters of the amendment could muster the

60 votes needed to end debate and force a division.

The outcome would be academic, because the House vote in favour of a similar amendment last year - 237-204 - was well short of the minimum required to keep it alive. But Mr Dole, aware that polls show most Americans in favour of term limits, swallowed his own reservations on the issue and put it on the calendar.

Democrats, likely to vote overwhelmingly against, have spoken little in the Senate debate, which began on Monday, except to argue that fairness would require term limits for present members of Congress. The amendment would only affect new members.

This is the latest pitch by the majority leader to opinions strongly held by both conservatives and by supporters of Mr Ross Perot, the 1992 inde-

pendent presidential candidate.

Last week the senator was humiliated in failing to get Senate approval of medical savings accounts as part of health insurance reform. He has also taken to attacking the judicial appointments of President Bill Clinton on the grounds that the jurists concerned are too "liberal" and thus undermine the fight against crime.

On Monday Mr Dole urged Mr Clinton, in a Senate floor speech, to withdraw the nomination of a Miami trial lawyer to an appeals court judgeship on the grounds that the appointee in question was legally unqualified for the post and was a substantial financial contributor to the president's election campaign.

This followed his assault last month on a New York judge appointed by Mr Clinton The

judge's original ruling, later reversed, in a narcotics seizure case had also invited criticism by the president.

Mr Dole's case against the judiciary, long a conservative cause, has been weakened by the fact, pointed out by the White House, that he voted against the confirmation of only three of Mr Clinton's 137 judicial nominees of the last three years. This includes two to the US Supreme Court.

The majority leader's fumbling on Capitol Hill is now attracting Republican criticism. The latest to suggest he should step down as majority leader and concentrate on drawing ideological distinctions with Mr Clinton is Mr Bill Bennett, former education secretary. "We may get walloped anyway [in November], but I would much rather be beat on principles."

Big US trade gap narrows slightly

By Nancy Durne in Washington

The US trade deficit in goods and services in February shrank by 17.1 per cent from that of the previous month, but the improvement was neither structural nor necessarily long-lasting.

The Clinton administration, with its trade policies bound to come under attack in this election year, will take little comfort from the monthly figures. Although the deficit dropped from \$9.5bn in January to \$8.2bn in February, it was running at an annual rate of \$108.4bn for the first two months of the year, only marginally better than the \$111.5bn in the equivalent period last year.

Aircraft, a big component in the improvement but a volatile

sector, accounted for most of a \$700m rise in exports of capital goods. Exports were also boosted by sales of US tobacco products and pharmaceuticals. "We export tobacco products, and then, when [people] get sick smoking, we treat them," said one analyst.

Crude oil imports fell, mostly as the result of reduced volumes rather than lower prices. The improvement was also powered by a surge in trade in services, particularly in foreign travel to the US.

The politically sensitive trade deficit with Japan rose by 2.7 per cent to \$3.89bn. The US bought more computers, electrical machinery and power generating machinery from Japan in February.

Japan bought more fish, aircraft and computers from the US.

Small groups' growth 'slow'

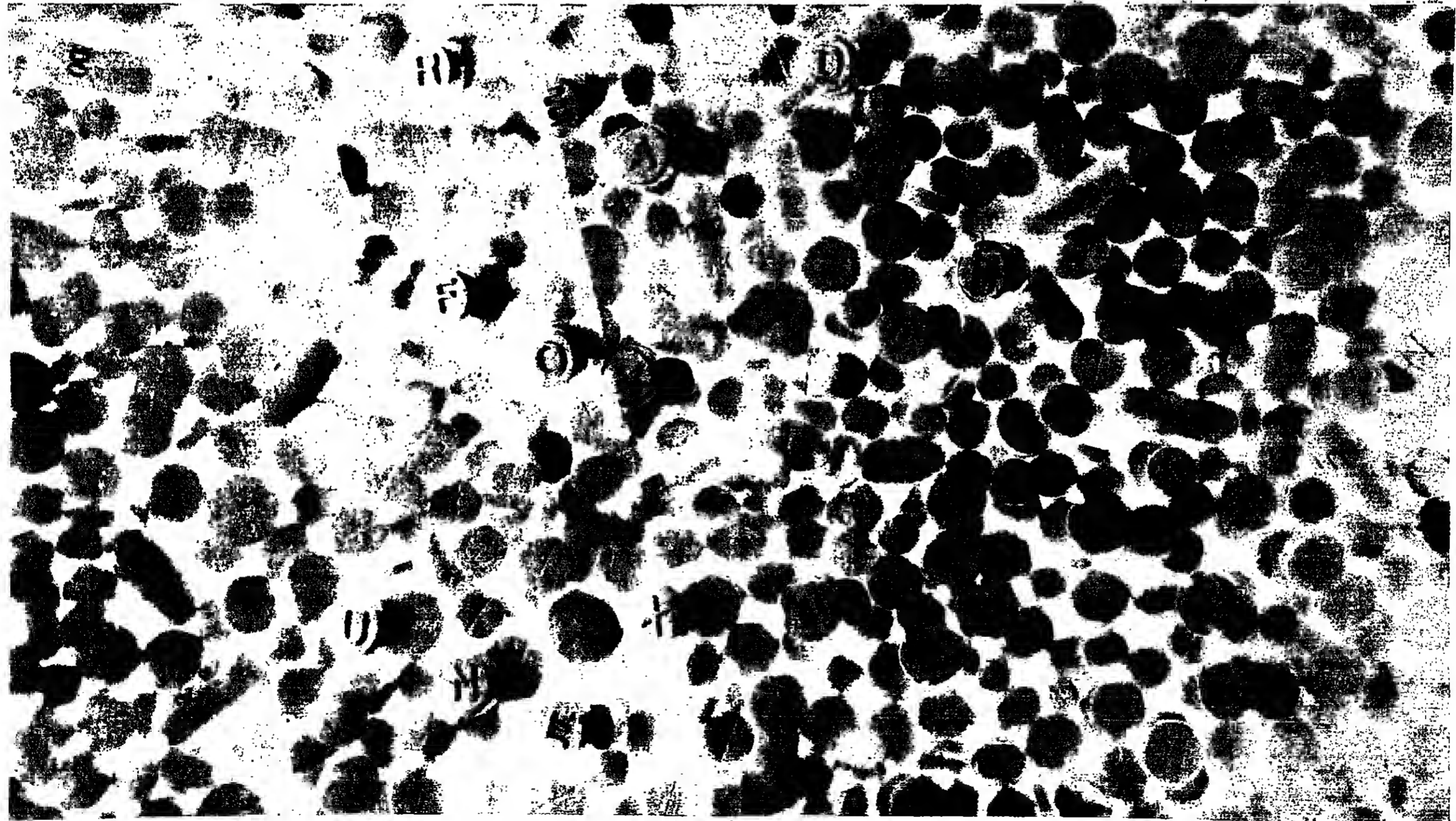
Small US manufacturers see continued slow growth in their businesses this year, a National Association of Manufacturers annual survey said yesterday, Reuter reports from Washington.

"Our small member companies expect a gradual slowdown in investment and slow gains across the board in 1996," NAM president Jerry Jasnowski said.

The survey found manufacturers expected slow growth in

sales, wages, employment, investment and profits. In 1996, more than 40 per cent of those surveyed expected to increase full-time jobs; 12 per cent planned to reduce employment.

Some 28.5 per cent of respondents expected sales to rise by 10 per cent; 22 per cent expected sales up by 5-10 per cent; and 17.5 per cent expected wages to stay about the same. Some 66.8 per cent expected to hold inventories at or near present levels this year.



Among the nightmares that can haunt corporate leaders, one of the worst must be flawed products. Especially if the consumers discover the flaw rather than the company's

inspectors. Recalling tons of merchandise, fixing the fault, losing millions is bad enough. But image loss, legal battles and compensation claims can far outweigh these prob-

lems. While all the supersmart machines and trained brains in the world may not be able to prevent such a catastrophe, being prepared can soften it considerably. As a

leading global insurance group, we concentrate on selected industries, regularly talking to and - more important - listening to them. Our first priority is to help them avoid

liability claims. But just in case, we also assist in designing recall plans to limit damage. Finally, with innovative risk transfer solutions you can be sure of a good night's sleep.



مكتبة من الأصول

Samsung attracts six Korean suppliers

By Stefan Wagstyl,
Industrial Editor

Samsung, the South Korean industrial group which is building an electronics plant in north-east England, has persuaded six Korean suppliers to set up factories in Britain, creating 430 jobs.

The six companies are together investing over £15m (£22.6m) in plants that will supply Samsung with parts ranging from television casings to specialised wiring and coils.

The decision highlights how a single big foreign investment can attract other projects in its wake, increasing the numbers of jobs created. They also indicate Samsung's commitment to using UK-made components at its British factory. Mr Daniel O'Brien, managing director of Samsung Electronics Manufac-

A database of residents of north-east England with foreign language skills is to be set up for use by the Northern Development Company when it promotes the region to potential inward investors, *Chris Tipler writes.*

The information is intended to help the region in attracting more investment from companies outside the UK and to address the UK's poor reputation for foreign language skills.

Queen last year, which operates the plant at Wynyard in Teeside, says: "We want to achieve up to 70-80 per cent local content. Localisation works well for us."

However, the rapid arrival of the Korean component makers will increase the competitive pressure on British parts manufacturers in the region, which might have hoped for more Samsung business.

Samsung's £46m factory, which was opened by the

The NDC, the region's economic regeneration body, has often been asked to provide statistics to illustrate foreign language speaking abilities.

Now all those in the region who can speak a foreign language will be invited to register their details. Companies will also be asked what foreign languages they would use and how easy or difficult it is to find recruitment.

Dong-Jin Precision to make microwave oven components and a £2.5m factory established by Woo One at Hartlepool for manufacturing computer casings.

Three more companies are building plants in South Yorkshire. They are Poong Jeon, making wires and refrigerators parts, Fine Electromechanics, which manufactures coil components, and Sung Kwang Electromechanics, a supplier of cables. Their combined invest-

ment is £2.2m. While the companies will initially supply only Samsung, they plan to expand to serve European electronics and motor component makers.

These investments follow the pattern of many Japanese investments in the UK. For example, Nissan Motor, Toyota Motor and Honda Motor, the carmakers, have all encouraged Japanese parts makers to Britain.

The government hopes that at least two other major Korean industrial groups will follow Samsung in investing in the UK. LG group is looking at the west of England as a possible site for a \$1bn semiconductor plant and Daewoo has linked up with Texas Instruments of the US for a possible semiconductor factory in Northern Ireland.

Recovery proposals suffer new delay

LLOYD'S

LLOYD'S OF LONDON

By Ralph Atkins,
Insurance Correspondent

Lloyd's of London is close to announcing a fresh delay to its ambitious recovery plan, forcing Names - individuals whose names are on the list of those who have agreed to fund the cost of drawing a line under their affairs at the insurance market.

Lloyd's leaders believe the extra time will allow them to enhance significantly the benefits the plan offers loss-making Names - individuals whose assets have traditionally supported the market.

That, they believe, makes it worth risking damaging publicity caused by a further delay to the recovery plan, launched a year ago and dogged last autumn by a series of setbacks.

A revised timetable is expected to be discussed by Lloyd's ruling council tomorrow.

Names were due to be sent late next month revised figures on how much they have to pay to leave the market, which has reported more than £5bn in losses in recent years. A delay of at least a month now seems likely, Lloyd's annual meeting on July 15, could also be postponed.

In addition, rescheduling will push implementation of the recovery plan closer to August 31 when Lloyd's must demonstrate solvency to its regulator, the Department of Trade and Industry. The delay may also worry insurance regulators in the US, where Lloyd's transacts about a third of its business.

Problems have arisen calculating the cost to Names of Equitas, a giant reinsurance company which Lloyd's plans to take responsibility for billions of pounds of outstanding US pollution and asbestos related liabilities.

The total "Equitas premium" had been expected to be about £1.9bn (£2.8bn) but revised figures on the reserves Equitas will require point to a figure nearer £1.5bn or below - leaving scope for cutting Names' individual Equitas bills significantly.

Yesterday it emerged that Lloyd's had won a number of minor victories in its battles with US securities regulators which are alleging investment in Lloyd's was "mis-sold".

In California, Lloyd's has avoided the immediate freezing of \$50m held in trust to support US underwriting. The Californian Department of Corporations and its attorney have also been fined \$20,000 for breaking court rules while trying to get compensation for local Names. The full case is due to be heard by May 6.

Meanwhile, Virginia has joined the list of states suspending action until after Lloyd's recovery plan is due to be implemented.

UK NEWS DIGEST

Transport plans to be unveiled

The government's thinking on transport issues both in London and throughout Britain will be unveiled in two important policy documents to be published within the next few days.

The publication of the long-awaited government consultation paper on transport policy and a policy paper on London will end a long hiatus in transport planning which began when Mr Brian Hawthorne, then the transport secretary, launched a public transport debate nearly 18 months ago.

It will also allow the government to set out its thinking on rail transport in advance of the publication of the final prospectus on May 1 for the stock market flotation of Railtrack, the company which owns the infrastructure of the national rail network. This will mean that investors are in possession of all the information they need to decide whether or not to buy any shares. The transport consultation paper, which is expected tomorrow, is the first for 20 years and will include the government's response to the report by the Royal Commission on Environmental Pollution published in October, 1994.

Charles Batchelor, Transport Correspondent

Exchange warned on trading

The Office of Fair Trading yesterday warned the London Stock Exchange that it would not tolerate an indefinite delay in the introduction of order-driven trading.

Mr John Bridgeman, the director general of the OFT, said he acknowledged that the Exchange faced a heavy workload with the introduction of the Crest electronic settlement system this summer, but said he was anxious that order-driven trading should start "as soon as is practically possible."

"I certainly won't let them drag their feet, and they know that," he told the House of Commons Treasury committee, which is now nearing the end of a lengthy and largely inconclusive inquiry into the Stock Exchange. The committee's inquiry began after the Exchange's sudden dismissal of its chief executive, Mr Michael Lawrence. MPs questioned whether a cartel of large market-making companies had engineered Mr Lawrence's ousting in order to block the introduction of order-driven trading in place of their traditional quote-driven system.

In the new system, likely to be introduced next year, orders will be entered on a central electronic order book, and automatically executed when buyers and sellers match. Mr Bridgeman also warned the Exchange that he would examine the rules of the new trading system carefully to see if they hindered competition.

George Graham, London

Labour condemns mine move

Labour yesterday denounced the government's commitment to a worldwide ban on landmines, after it emerged that the Ministry of Defence is planning to buy a new batch of "safer" mines.

The Foreign Office yesterday confirmed that Britain would argue for a ban on a weapon which has been blamed for killing or seriously maiming around 25,000 civilians a year. As a first step, the MoD announced yesterday that it would destroy 44 per cent of its stockpile of landmines at the earliest opportunity.

But Labour was astonished when officials confirmed that the remaining mines would be replaced by a new-style "smart mine", which self-destructs after a period of time.

"These are not the actions of a government seeking the elimination of landmines," said Mr David Clark, shadow defence spokesman. "The Tories are trying to dup the public with a smokescreen of false pretences."

Britain has not produced landmines since the 1980s, so the new order would either have to be met from a new production facility in the UK or from imports.

"These facts demonstrate the dangerous sham of the Tory approach," Mr Clark said. "I seriously question the government's commitment to banning landmines." Britain's support for a worldwide ban on mines is a substantial shift in policy; the government had previously argued that the weapons were useful and legitimate if used with care.

The Foreign Office said Britain would not press ahead with the proposed replacement of its existing stockpile if an international ban was agreed first. But officials insist that older weapons must be replaced by newer versions in the interests of safety.

George Parker, Political Staff

Choice for power consumers

Domestic electricity consumers will be able to choose their suppliers under the terms of new supply licences proposed by the electricity regulator for 1998, the year full competition is to be introduced into the electricity market.

Prof Stephen Littlechild, the director general of Ofwat, the electricity regulatory body, said yesterday that the licences would also include safeguards for consumers to ensure that they were treated fairly by electricity companies.

Suppliers would be obliged to offer terms and supply any domestic customer on request. There would also be a code of practice. The draft licences, which are out for comment by June 7, are a key stage of the shift to full competition in 1998.

David Lascelles, Resources Editor

Euro-sceptic vote defeated

Tory Euro-sceptics underlined government divisions over Europe yesterday, as a significant group of Conservatives voted to exempt the UK from European Court of Justice decisions.

The vote in defiance of government policy was defeated in the Commons, but highlighted the number of senior Tories who have joined the Euro-sceptic wing of the party.

Earlier, Mr John Major, the prime minister, refused to give any further ground to opponents of European integration as demanded by Sir James Goldsmith, the financier and sponsor of the Referendum party.

Asked what further action he would take to placate Sir James, who is planning to field more than 600 candidates in the general election demanding a fundamental referendum on the UK's place in Europe, Mr Major said "None". The bill, which would have amended the European Communities Act 1972 to enable the disapplication in the UK of ECJ judgments, was defeated by 83 votes to 77.

James Harding, London

Exports lull contributes to trading gloom

By Graham Bowley
and David Wighton

British industry yesterday reported the gloomiest trading conditions for 2 1/2 years as confidence dipped for the fourth successive quarter and factories shed jobs at the fastest rate since April 1994.

The Confederation of British Industry, Britain's largest employers' lobby, said in its latest industrial trends survey that weakness in the UK's overseas markets meant manufacturers now faced the slowest growth in exports since the autumn of 1993.

Mr Andrew Buxton, chairman of the CBI's economic affairs committee, said: "We are experiencing a period of static manufacturing activity, reflected by flat orders, particularly in export markets that have been the backbone of recovery over the past few years."

The survey, which points to a stagnating industrial sector, contrasts sharply with evidence suggesting other areas of the economy are buoyant. Consumer spending, for instance, is growing strongly. As a result, the CBI said it was not looking for interest rate cuts to

stimulate the economy, but Mr Buxton added that rates should not rise either.

The CBI said 16,000 people had lost their jobs in the manufacturing sector in the first three months of this year, with the highest companies making the largest job cuts. It expected a further 11,000 jobs to be lost in the second quarter.

According to the CBI's survey of 1,225 companies, 25 per cent of manufacturers said their output volume was up over the past four months, which was matched by 25 per cent which said output was down. The resulting net balance of zero was the first time there has been no growth in output since October 1998.

The opposition Labour party seized on the survey as confirming the downbeat forecast contained in a leaked letter from Mr Ian Lang, the trade and industry secretary.

The letter to Mr William Waldegrave, the chief Treasury secretary, commented on recent official data which concluded "that either manufacturers are extremely optimistic about future prospects or that we should expect to see employment falling over the next few months".



Publicity-seeking meat traders outside the Houses of Parliament offer free beef to passers-by

Protesters give away beef

By Alison Maitland in London

Beef exporters yesterday gave away a tonne of prime Scottish beef, worth £10,000, outside the House of Commons to protest at what they see as the government's abandonment of the beef trade.

The beef, in 27 kilogramme packs, usually worth about £30 (£45.30) each, was all taken by an eager crowd of passers-by in 20 minutes.

Mr Morris Bond, chief executive of Beck Foods meat business, who was handing out the beef, said he would have to cut a third of his 600 staff "unless we can get our export markets

open and adequate compensation from the government".

He said the government's offer to slaughterers last week to buy up unsaleable stocks at 65 per cent of their value before the BSE crisis was "totally inadequate" for an industry operating on margins of 1 per cent to 2 per cent. Exporters account for £30m of his Lincolnshire-based company's annual turnover of £100m "and the export market is dead". He was angry that the beef export business had been offered no compensation by the government's £110m package to abate the crisis. His company was "more than £1m out of pocket".

The International Meat Trade Association, which organised the protest, told angry beef traders at a meeting in the House of Commons set up by sympathetic MPs, that the export ban "has more to do with promoting export opportunities for our European competitors than it does with any discernible health risk".

The meeting applauded Mr Bill Cash, the Euro-sceptic Conservative MP for Stafford, who blamed Germany for prolonging the export ban and called on the government to withhold regular monthly payments to the European Union budget.

standards would not be compromised.

Nats has described the £350m Swanwick centre, near the south coast port of Portsmouth, as the most advanced air traffic control facility to the world.

Building work was completed last year. Nats said, however, that the contractors handling computer installation had "run into snag with an extraordinarily complex task". The system is being installed by a consortium led by Lorax Systems of the US.

The centre was designed to handle air traffic over England and Wales, which is increasing by 6 per cent a year. The CAA said yesterday that, in the absence

of Swanwick, further investments would be made in the existing London Area and Terminal Control Centre at West Drayton, near London, so that staff there can handle the expected increase in air traffic. Although controllers at West Drayton are highly regarded internationally, their equipment is seen as outdated.

Mr McLaughlan said earlier this year that the government had reduced the level of loans it made to Nats by £250m over the past three years on the assumption that several new developments would be funded under the government's Private Finance Initiative.

Air traffic control costs to rise by \$16m

By Michael Skapinker,
Aerospace Correspondent

The cost of air traffic control in the UK will rise by £11m (£16.6m) next year because of the failure by the Civil Aviation Authority to complete a new control centre at Swanwick, Hampshire, on time.

National Air Traffic Services (Nats), a subsidiary of the CAA, said in February that the Swanwick centre, which was due to open in December, would not open until December 1997 because of computer software problems.

Mr Derek McLaughlan, the chief executive

of Nats, told staff in this month's internal newsletter that the delay would result in "funding shortfalls" in the next few years.

He said: "While the delay to the opening of the Swanwick Centre has reduced operating costs for this financial year, next year they will be some £11m higher than previously estimated." He said that costs would have to be cut to keep air traffic control charges to airlines at the levels already agreed.

The CAA said yesterday it could not say what these cuts might involve, but Mr McLaughlan told staff that safety

standards would not be compromised.

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Privatisation regulators in line for budget boost

By Stefan Wagstyl,
Industrial Editor

The government is considering boosting the budgets of the regulators of privatised industries in an effort to assuage public concerns about the regulatory regime.

Ministers are worried that what they see as the achievements of privatisation have been obscured by the recent rows over the newly privatised utility companies, including arguments about water price increases, water shortages and "fat cat" or excessive pay awards for top executives.

Ministers hope that by boosting the regulators' role, they can rebut Labour claims that privatisation has been weak and promote privatisation as a success story in the next general election campaign.

The Treasury is in the last stages of reviewing the work of the regulators of the telecommunications, water, power and gas industries. Senior officials say the review is examining giving the regulators the means to hire experienced and well-qualified staff to improve their effectiveness.

Ministers' particular concern is encouraging regulators to communicate more clearly with the public so that people have a better understanding, notably of price increases.

In contrast to some critics of

the British regulatory regime, the government does not believe that fundamental changes are needed, for example in unifying the regulators into a single body or replacing the individual regulators with panels.

Treasury officials believe regulators have become "the lightning conductors" of the utility industries, having to deal with problems to which they do not always have the solutions.

Ministers accept regulators cannot be seen to be overtly promoting privatisation or any other Conservative policy. But they believe that regulators have a role in explaining their work and pricing formula.

The Treasury review follows discussion in Whitehall about the future of privatisation. Ministers are responding to the adverse publicity generated last year by rows about water price increases caused by the need to increase investment in sewage treatment and about water shortages during last summer's drought.

The largest of the utilities regulators is Ofwat, the electricity watchdog, with 230 staff and a budget this year of £10.2m (£15.4m). The figures for the other watchdogs are: Ofwat (water) 191 staff and £3.2m; Ofreg (telecoms) 180 staff and £9.1m; Ofgas (gas) 90 staff and £5.7m.

BAe faces row over shareholder rights

By William Lewis
and David Wighton

BAe, the UK defence company, is facing a shareholder revolt over controversial plans to reform the voting rules for shareholders at its annual meeting.

The company wants to end shareholders' right to propose amendments to resolutions at its annual meeting and also wants to scrap votes on a show of hands. BAe is also proposing to end the annual vote on its

report and accounts and directors' fees.

Instead it wants all shareholders to cast their votes and propose amendments ahead of the annual meeting. "They will still be able to ask questions," BAe said yesterday.

Institutional investors said that they had expressed concern to BAe over its plans and there was speculation last night that the company would be forced to back down on some of its proposed reforms.

Pirc, the corporate gover-

nance consultancy which has been lobbying the company to change its proposals, said "the new articles as stated remove a number of important shareholder rights".

Separately, Inspec, the former BP Chemicals company, last night backed down on its proposal to "insulate" directors from having to seek regular re-election by shareholders. The company had wanted its shareholders to pass a new rule at its annual meeting on Thursday which would have

excluded the chairman and executive directors from retirement by rotation.

Inspec said last night: "We have decided in principle to return to the situation that we had before. We have taken the decision to go back."

Pirc says that 88 out of the UK's top 250 public companies still have insulation rules in place, down from 128 in 1992.

The corporate governance season is currently at its peak with numerous companies now holding their annual meetings.

Companies await ruling on '\$15bn' car tax plea

By Robert Rice in London

Three companies which claim the government has illegally blocked British businesses from reclaiming billions of pounds in value added tax on the purchase of company cars since 1973, will learn next week whether they have won the right to take their case to Europe.

The High Court yesterday reserved judgment on whether to refer the case brought by Allied Domecq, the food group, Royco, the car leasing company and TC Harrison Group, the car dealer, to the European Court of Justice.

With the claims of more than 5,000 other UK businesses resting on the outcome, victory for the companies in Luxembourg could leave the UK govern-

ment facing a bill of up to £10bn (£15bn) in back tax and interest, according to tax experts.

The case, which was brought in rule in last year's Finance Act to allow car leasing companies to recover VAT on all new car purchases, is the culmination of a four-year wrangle between the business community and UK Customs & Excise.

The source of the row is a Customs & Excise "blocking order" first imposed in 1973 which prevents companies recovering the "input tax" on company cars bought for business use.

The companies claim that the order is incompatible with both the 1978 Second European Directive and the 1978 Sixth European VAT Directive,

which is the principle measure for the harmonisation of VAT in the European Union.

Under the VAT regime, businesses which make goods or provide services subject to VAT are allowed to deduct the VAT or "input tax" on goods and services which they buy in. That ensures VAT is not paid on more than the full value of the finished product.

The impact of the blocking order on cars bought by leasing companies for leasing purposes - until it was lifted last year - was dramatic.

If a leasing company bought a car for £10,000, it paid VAT at 17.5 per cent on the purchase price, which it was not allowed to deduct. The total cost of the car was therefore £11,750.

If it then leased the car on a three-year lease to another

New car registrations in the UK



	1991	1992	1993	1994	1995	1996*
Total registrations	1,592,326	1,593,601	1,778,426	1,910,833	1,945,366	531,049
Business use	823,796	665,109	847,147	970,725	1,032,106	300,475
Business use (%)	39.2	41.7	48	5	53	57

*First quarter only
Source: Society of Motor Manufacturers and Traders

company, the leasing charge was calculated on £11,750, to which was added interest over three years plus charges for maintenance and so on. That figure was then divided by 36 to give the monthly charge - on which a further 17.5 per cent VAT was payable by the lessee. The rise in costs meant

UK fleet hirers were at a disadvantage to other EU states.

According to Mr Dominic Taylor, a tax expert at Ashurst Morris Crisp, lawyers for two of the three companies, the process represented a form of double taxation which is contrary to the principles of the European directives.

If the case goes to Luxembourg, it could be two years before a final judgment is delivered.

The companies remain quietly confident, however, bolstered by the news that the European Commission has just taken France to the Court over a similar VAT measure.

BUSINESS AND THE ENVIRONMENT

Ten years after Chernobyl, Dinah Greek explores a nuclear detection network

Gamma curtain drawn

Alexei Yablokov, a senior Russian ecologist, recently claimed that Russia's nuclear power stations "posed an unacceptable risk" in safety. Hege investment, he said, was needed to bring them up to western standards.

Western safety experts also continue to stress the dangers posed by some of the nuclear reactors in the former Soviet Union. The 10th anniversary on Friday of the Chernobyl nuclear accident in Ukraine will highlight those concerns. Should another similar incident occur, there is as yet limited capability for tracking the radiation plume. However, although eastern Europe's nuclear plant safety still falls a long way short of the west's, much is being done to improve the situation.

One of the most important of these initiatives is the institution of a "gamma curtain" - an early-warning and monitoring system - in Belarus and Ukraine.

This European Commission Tacis (technical assistance to the CIS) project has been three years in planning and the Ecu4m (£3.1m) pilot project, Gamma-1, will be fully operational by the end of May.

The gamma curtain is similar to systems already used in the west. However, it is a new approach to nuclear safety in the former Soviet Union countries and has been modified to suit their needs. It will also give western Europe an early warning of any accidental

releases of radiation.

The system is a detection network, with radiation monitors sited around the nuclear stations connected by radio link to local response centres which collect and process the data. Duplicated computer systems at each centre enable operators to monitor the situation continually. However, an alarm is automatically raised if preset thresholds are breached or any systems malfunctions are detected.

All data are sent automatically to two national response centres, one in Kiev and the other in Minsk, via dedicated phone lines. Summary data will also be sent to western Europe via e-mail on a routine basis and immediately if the situation warrants it.

Cambridge-based PA Consulting Group has been working on the project to establish its feasibility and the outline design for implementation. The pilot project involves monitors at three nuclear stations, Ignalina in Belarus and Rivne and Zaporizhka in Ukraine. Chernobyl was not chosen because the severe contamination in the area would have presented additional complexities for the pilot system.



The pilot project involves monitors at Zaporizhka (pictured) and Rivne in Ukraine, and Ignalina in Belarus

The technology involved is straightforward, but it has been modified to take account of a number of factors - the terrain, density of population, weather trends, accessibility and lessons learnt from Chernobyl. Around each of the nuclear sites, a fully integrated set of high-density gamma-dose rate (high but less dangerous

than alpha-beta doses) automatic detectors will be placed within the perimeter of the plant. These detectors have been modified to use duplicated Geiger Muller detection tubes to improve reliability. Chernobyl demonstrated phenomena known as "vertical" and "lateral" breakout where radiation forms very

narrow rising plumes. Detectors placed at ground level immediately around the plant are not enough as plumes may rise above them and travel large distances without detection. At Chernobyl this put authorities at Pripyat, a town 5km from the reactor, in a quandary - should they evacu-

ate the town's people, and in which direction, to avoid travelling into the plume. In the event, the 49,000 inhabitants were evacuated safely - as far as the limited monitoring equipment available showed - by relatively uncontaminated routes.

Detectors have been placed high up on buildings for security. Also, because plumes may "rain out" and cause serious radiation hotspots well away from the accident area, further Geiger Muller counters have been placed in expanding and overlapping rings at distances of up to 20km from each plant. This pattern provides the highest probability of protection.

Radiation contamination may also enter the water system because of leakage. To cope with this, gamma water sensors will be used to detect any water-borne releases. Weather stations which will monitor rainfall and wind direction will also aid in detecting the direction in which a plume is travelling.

In addition to gamma-dose monitoring, equipment to monitor alpha-beta radiation has been included. Alpha-beta radiation is the most dangerous, so a quick response to contain-

ment is needed. To achieve this, a number of ultra-sensitive alpha-beta monitors have been sited in populated areas around the nuclear plants.

A difficult dilemma for PA was whether to use vehicles mainly for mobile plume tracing or response and support. It decided on the latter, largely because of cost and the difficulty vehicles would have travelling around in the event of an emergency.

Each of the vehicles will in essence be mini-laboratories, deploying up to four mobile "sentinel" gamma-dose rate stations. Should a radiation breakout occur, tests and monitoring can be taken further

afraid. With the Gamma-1 project close to completion, the only worry among the engineers is that something untoward will happen before it is fully up and running. "An accident occurring before completion is our one major concern," says Phil Jeanes, a principal consultant with PA.

It is hoped that the gamma curtain can be extended to other sites after the 12-month evaluation period ends next May and that further funding for the project will be provided.

The author writes for Professional Engineering magazine.

Sweden digs deep to bury nuclear waste

David Lascelles on two projects* to solve the disposal problem

Deep burial is widely seen as the best way to get rid of nuclear waste, but few countries have been able to do it successfully because nobody wants nuclear dumps on their doorstep.

Sweden is among those that have made some progress, despite the enormous public hostility that exists to nuclear power. But even for the Swedes, the ultimate goal of a deep permanent store for spent fuel is proving elusive.

At Forsmark, a former iron-making community two hours drive to the north of Stockholm that is now the site of a nuclear power station, the Swedes have hewn a mile-long tunnel out under the sea. At the end are a number of brightly-lit caverns which are gradually being filled with large metal containers of radioactive waste brought in by huge transporters.

There is room enough here for 60,000 ctn of waste, about a third of which has been taken up, although the facility will probably be extended with a second set of caverns at the end of the decade.

But Forsmark can take only low- and intermediate-level waste: the sort that does not need heavy shielding, such as workers' clothing, lightly contaminated parts and other operational waste.

The much more challenging task of handling highly radioactive waste, such as spent fuel, is being addressed at Oskarshamn. Another nuclear site about 400km south of Stockholm. Here a two mile tunnel has been blasted more than 1,500ft under the sea to explore the possibilities for storing high-level waste. The tunnel, which descends in a spiral, took two years to build at a cost of SKr600m (£49m).

Officially, the tunnel is an experiment rather than an actual repository, and the nuclear industry is keen to emphasise this fact to avoid upsetting the local Oskarshamn community. But it has shown the Swedes that it can be done.

"We could do it by 2003 from the technical point of view," says Olle Olsson, head of the project. "The problem is political. We have the concept and the design. Now it is a question of optimising the system and convincing the community around that we can do it."

The ideal geological site would have fewer fractures than Oskarshamn to restrict the flow of groundwater. But since the waste will have to be stored for thousands of years before it becomes safe, the repository will also have to be built on the assumption that future generations, ignorant of its existence, might drill into it.

So the site would have to be some distance from exploitable mineral deposits.

The waste itself will be stored in stainless steel containers and encased in copper to resist corrosion. At the Oskarshamn site, the engineers have on display a copper canister recovered from a 300-year-old wreck. The seawater had barely left a mark on it, proving that the canisters could be immersed safely for a long enough period for the worst of the radioactivity to decay.

The nuclear industry, which is largely government-owned, has set up a specialised company, SKB, to deal with radioactive waste. SKB's activities are funded by a levy on electricity bills.

This has already generated SKr19bn, although the nuclear industry is anxious that Sweden's financially strapped government may seek to pocket the money itself.

Earlier this year, the funds were transferred out of the Bank of Sweden to an account under the direct control of the finance ministry, officially to strengthen Sweden's financial position and qualify it for European monetary union.

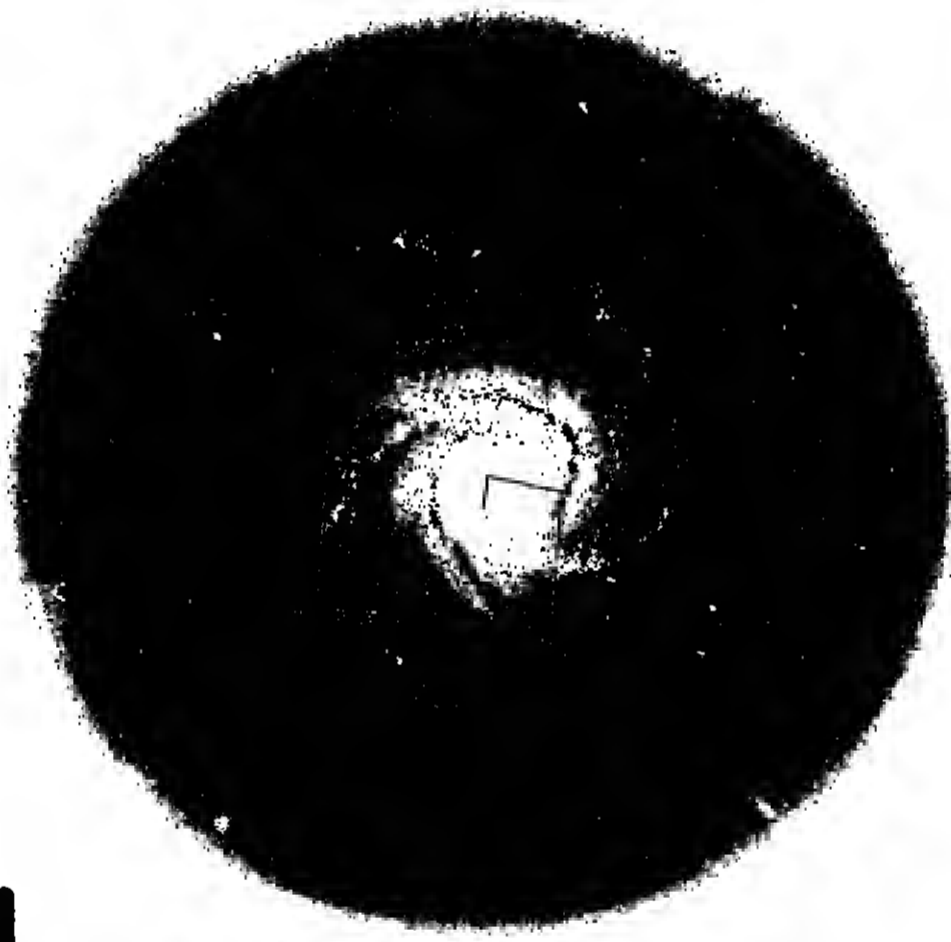
SKB is currently canvassing municipalities to see if any might be willing to have the repository built in their area, but without huge success, in spite of the promise of jobs and other business spin-offs.

Last year a town in the far north, Skerfva, looked interested, but the city fathers later turned it down, and so, far there are no other obvious candidates.

"We're in no hurry," says Sten Bjurström, SKB's president, who points out that the nuclear industry is under no legal obligation to provide a final repository, provided it can store the waste safely in the meantime. If there is any pressure, he says, it is the moral obligation on the nation not to dump the problem on future generations.

And the industry does have a temporary alternative, a facility known as Clab at Oskarshamn. This is a huge underground water tank, also hewn out of granite, where containers of spent fuel are left to cool. It has enough storage space to hold fuel until about 2004, when a second cavern should be ready.

In theory, Sweden's nuclear waste problem should be finite, because a 1986 referendum requires the government to phase out nuclear power by 2010. But since nuclear accounts for half the electricity generated in the country, this is a tall order. So there is likely to be growing pressure for disposal capacity as the power stations have to be kept running.



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Forsmark: the Swedes have hewn a mile-long tunnel out under the sea

مركز من الأصل

Television/Christopher Dunkley

Where fantasy, reality and memory meet

The opening episode of Karaoke on BBC1 this coming Sunday evening shows vividly what we lost when Dennis Potter succumbed to cancer in June 1994. He spent the final months of his life in an extraordinary race against death, swigging morphine and writing through the night, in a fight to complete an astonishing pair of dramas (the second, Cold Lazarus, begins on Channel 4 on May 30).

He believed that in the late-20th century it was a bit effete to write for any medium other than television, which he regarded as the true national theatre. Early immersion in Christianity and socialism seems to have given him an inescapable sense of duty and, however far human follies may have caused him to deviate from Christian and socialist principles in some respects, he never abandoned television for long.

It is indicative of the respect that Potter commanded that Alan Yentob, controller of BBC1, and Michael

Grade, chief executive of Channel 4, have not only spent something like £12m making these two series (the larger proportion, it is said, being paid by Channel 4 which had to use much state-of-the-art machinery and computerised equipment for Cold Lazarus) but have fulfilled Potter's requirements pretty well to the letter. In each case repeats will be on the competitor channel; Ken Trodd who was responsible for much of Potter's greatest work including Pennies From Heaven and The Singing Detective but who had famously fallen out with the writer, returns as one of the two producers (the other is Rosemarie Whitman); and even though everyone in the industry knows that Trodd did not initially want Renny Rye as director, Potter did, and that wish too has been fulfilled.

And the results? Wonderful, entertaining television by a master-craftsman. Karaoke, in which a successful television writer, Daniel Feild, is diagnosed as more and more seriously ill, dives straight into that area which Potter made his own, where reality, fantasy and memory meet in the mind of the hospitalised patient. Are our lives the sum total of our memories? If so, can we be sure of the accuracy of those memories? How do you tell the difference between memory and fantasy? The waking, conscious writer is clearly a puppet-master, but are not we all puppet-masters inside our heads? Can we really be sure that our lives are any more "real" than the lives of the puppets?

As Feild's health deteriorates his

own fiction seems to come to life around him. Pimps and prostitutes, crooners and karanka singers, begin to recite the lines which Feild wrote for his characters and which we see being edited on a Steenbeck machine by a bickering team of producers and editors. Is Potter paying off final scores? You bet he is: "Ah, you writers! Always the last to notice - well, almost. I nearly forgot the credits". Not for the first time, Potter expertly sustains several strands of narrative simultaneously; the ailing writer and his two battles, against his own body and against the interfering production team; the events of the criminal underworld where "Pig" Mailton (a wonderfully over-the-top performance from Hywel Bennett) rules by terror; and Feild's redemption via a beautiful young woman whom he loves, buys, and finally protects.

It is familiar Potter territory, and there are signs of hurry, yet it is superbly well done. Before viewing I had doubts about Albert Finney as Feild; he is not my favourite actor. Yet here, when it really matters, he comes through and delivers a soaking great performance which keeps on thumping you in the chest and sometimes the stomach. The cast - which also includes Richard E. Grant as the precious producer and Roy Hudd as Feild's mord-wixing... er, word-mixing... agent, with people such as Julie Christie turning up in bit parts - is nearly overwhelming.



Anna Chancellor and Albert Finney in 'Karaoke' by the late Dennis Potter: a master-craftsman to the end

of the individual. Moreover, while he appeared in the past to be questioning the very sentimentality that he exploited (most notably in the songs of the 1930s) here the sentiment is finally open and unashamed. Feild's miming to the Bing Crosby version of "Penalty From Heaven" at the end of the last episode of Karaoke is genuinely nostalgic about a previous age, and also an acknowledgement of Potter's own work and obsessions. But, magnificently, it is not the

end. Astonishingly with Cold Lazarus we find Potter making a final death defying dash into new territory: into the year 2368 and the world of Blade Runner. This is no mere superficial switch of venue. Potter gives us a fully realised futuristic story in which the fight is on to get back to real reality after the move into virtual reality. Feild's head has been preserved cryogenically, a frozen blue thing suspended in chemicals, and a band of future scientists, beeping around

in electric chairs shaped like the hind quarters of animals, has found a way of projecting his memories on screen like a film. A shark-like media figure wants to exploit this for the sake of a paying audience. Thus Potter's underlying concerns are the same as ever - the exploitation of the writer's experience, the prostitution of one's talents, the power of memory, the central importance of the individual view. Ever the autobiographer (whatever he may have asserted in

public, whatever he may have told himself) Potter makes a final round of the old bases: the Forest Of Dean - or "Need" as it becomes here - the place where he was born, the childhood years of innocence and knowingsness, the irresistible power of rote learning in church, and the eternal clash between internal and external reality. Potter's greatest work remains The Singing Detective, but Karaoke and Cold Lazarus serve as splendid codicils.

In other play at present in the West End has made me blink back tears so often as Harold Pinter's new production of Reginald Rose's famous American jury drama Twelve Angry Men. In this play - you may well know the film, with Henry Fonda, the 12 members of a jury move from an initial vote of 11 guilty versus one innocent to an eventual unanimous vote of not guilty. That is all. We do not know whether the not guilty vote is correct. We never see the accused, or the victim, or the judge, or the prosecution, or the defence. Sometimes, tears are just a soft-and-easy response to melodrama, for there are several passages when this play becomes just a juicy tale of good versus bad, or right versus wrong, and it is hard to resist a sniff at its most poignant when the bad or wrong are shown up for precisely what they are. Once or twice, they are the started tears of recognition, for I too have a little experience of jury duty

Victor Hugo's play Le Roi s'amuse (1832) is best known as the basis for Verdi's classic opera Rigoletto (1851). But censorship obliged Verdi and his librettist Flavia to relocate their opera to Mantua. Not only does Hugo's original concern Francois of France, but it does so with lavish historical detail. Since the libertine monarch is denounced at length it is no surprise that Hugo's play was banned after a single performance. Now Tony Harrison, adapting it in English as The Prince's Play at the National Theatre, has transferred it to late-19th century England, so that the royal anti-hero becomes the Prince of Wales. However, The Prince's Play proves remarkably anachronistic. It has enough detail to persuade us that its royal anti-hero differs from the future Edward VII but too little to make us believe in this story, either as history or as fiction.

Theatre in London/ Alastair Macaulay

A verdict on humanity

on a case of murder. Mainly, however, they are tears of gratitude. For Twelve Angry Men is, at base, not about guilt and innocence but about democracy. And it moves us most deeply when it shows us that men - not least these jurymen - should be allowed to have their own lifestyles and opinions without being bullied or persecuted for having them. (Women too, by implication. But this is a men-only jury.)

Some of these 12 men reveal a great deal about themselves during their deliberations, while others reveal little; and this too is part of the play's point, for it gives honour to privacy and self-display alike. All 12 are beautifully individualised as characters, but Rose's finest achievement

may be the extent to which he keeps some of them largely unknown to us. It is often those who are most businesslike and most guarded about themselves who make the most valuable contribution to the drama. No wonder it appeals to Pinter, his dramatic method is little like his own plays, but its values are those to be found at the heart of all Pinterism.

Twelve Angry Men was first shown as a television drama in 1964, was made into a film in 1957, and was first presented on stage in 1958. To the extent that it is about good/right versus bad/wrong, it is not a particularly fine play - for to depict a good ending happily and bad unhappily is, as Miss Prism observes, sheer fiction. Often enough, however, it transcends

that level. It is never dull, expounds the facts of its case with exemplary pacing, and is often funny. I love the way it ends, with the virtual anti-climax of the jury filing out. No courtroom astonishment, no journalistic sensation. Just a complex sense of humanity left hanging in the air.

Pinter's direction is excellent. There are some of the usual problems found when British actors attempt American accents; there are a few too many extended-arm gestures, one of which is held far too long; and two or three of the actors are allowed, in their slightly exaggerated depictions of certain very American types of aggression or loudness or callowness,

to lampoon those things in ways that reveal a dash of Americanophobia in themselves and/or Pinter. In general, however, the acting is pro-American because it is pro-human, and it is pro-human because it is detailed, individualised, felt.

Even the flawed performances are basically good: Kevin Dignam, Maurice Kaufmann, Stuart Raver, Timothy West and Kevin Whately are better; and Alan MacNeughtan and Peter Vaughan, on opposing sides, are best of all. MacNeughtan, with his shadowed and dignified utterance of sometimes slight remarks, movingly illuminates the respect for humanity that is at the play's core, and Vaughan, alarmingly but very credibly, reveals the horrific opposite. Eileen Doss's set and Mick Hughes's lighting give us just the surroundings and climate and atmosphere we need.

'Twelve Angry Men' is at the Comedy Theatre, London WC2 (0171-368 1731).

Concerts/David Murray

Enticing Ravel and Stravinsky

The London Symphony's ex-principal conductor, Michael Tilson Thomas, rejoined them last week at the Barbican Hall to conduct an enticing pair of matched programmes. In each, the first half offered a pungent selection of shorter, less familiar pieces by Stravinsky (early, middle and late). In the second halves we got one of Ravel's two piano concertos and one of his orchestral showpieces - La Valse on Thursday, the second Daphnis suite on Sunday.

I heard the first concert, which found Tilson Thomas in his best form. There was comic flair in Stravinsky's "Circus Polka" (composed for a young elephant at Ringling Bros. Barnum & Bailey), but no crude jokes. For the elegiac 1943 Ode, rarely heard because difficult to programme, the conductor drew tender shadings from the LSO players, exquisitely balanced. Agon cracked brightly.

The "Rusles" Variations of 1964, short but extremely dense, were especially welcome in this translucent performance. It is arguably the work in which Stravinsky shows the influence of young Boulez, and even of Messiaen, most clearly. Tilson Thomas set out its gnomic, overlapping

paragraphs with delicate precision. Few of us can have heard this knotty, near-experimental piece so well played.

The conductor brought the same musicianly exaltation to Ravel's 2-hand piano concerto and La Valse, though the Stravinsky works - which he is recording with the LSO - might have had the lion's share of rehearsal-time.

Both these familiar pieces revealed succulent details that one had almost forgotten were there. The soloist Jean-Yves Thibaudet deserved no less; his impeccably stylish reading set a standard. In tempi, touch, pedalling and manners, everything was brilliantly right. And his account of the long, unaccompanied solo that begins the slow movement was a kind of revelation. He proved that it is possible both to keep strictly to Ravel's austere tempo, and to make something grandly eloquent of the winding melody - not just a suave exercise in French lyricism, but a soliloquy of remarkable breadth and power. Constant Lambert's jibe at this movement (in Music Ho) as being a cold, artificial construct, seemed more wrong-headed than ever. Thibaudet is a masterly pianist.

Rigoletto without the music

Hugo wrote Le Roi s'amuse in the era when France was at last discovering the genius of Shakespeare and, in Le Roi s'amuse, he created the most Shakespearean protagonist that French drama had yet possessed. Tribolet, Francois I's hunchback court jester, is part Richard III, part Sky-locks, part Lear's "all licensed fool" with a dash of Lear himself (et the end, with the corpse of Blanche).

There is nothing wrong with shifting the action from the Renaissance to the 19th century, although the East End in which Scott lives in Richard Eyre's staging has been designed by Bob Crowley to look raffily neat, clean and uncramped. Crowley easily fulfils Hugo's tricky stage requirements, which twice place important stage action on both sides of a wall. But the result is all stage, synthetic, unbelievable. The nocturnal scenes are so

brightly lit by Jean Kalman that characters might read books on stage. There are just a few passages in Eyre's staging when you stop wishing you were listening to Rigoletto. Best is Michael Bryant, who, speaking Lord Kintyre (Saint-Vallier/Montreone) with intense quiet and exemplary dignity, alone shows us how far the Prince's circle has slipped from decent behaviour. As "Scotty" Scott, Ken Stott has fine moments - telling Becky that she is his everything, revealing to the courtiers that it is his daughter who has been abducted, and asking them whether her beauty and innocence do not make the world "seem a better place". But Harrison and Eyre fail to make Scott the cruelly brilliant court buffoon he claims

to be and they fail, too, to make his many long speeches the big events they should be. The rhymes cripple the drama like fetters. Arlene Cockburn speaks Becky in a uniform whimper. David Westhead, as HRH, has neither glamour nor breeding enough to make his role impressive. June Watson is a good dienna, tough, vocal, and credible. Even though it is a year since I last listened to Rigoletto, the voices of Pasquale Amato and Tito Gobbi in the title role kept entering my head unbidden throughout The Prince's Play, expressing Hugo's story with a heroic force and human urgency that were utterly missing at the National Theatre. The music for Eyre's production, by Richard Blackford, is its oddest element. It keeps sounding like, of all people, Wagner. But the National's entire musical policy needs drastic revision, as does the RSC's.

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Edward Mortimer

The wrong medicine

Sanctions can be effective but there is scepticism about their use as a tool of conflict prevention rather than resolution

Lord Skidelsky, the biographer of John Maynard Keynes, will today be exploring "ways of raising the cost to China of scrapping democracy in Hong Kong".

He will point out to Britain's House of Lords that Sino-western trade is as much a Chinese interest as a western one. He will also mention the possibility of admitting Taiwan to the United Nations, if China sticks to its avowed intention of dismantling Hong Kong's elected legislative council as soon as the British colony reverts to Chinese sovereignty next year.

In other words, he will be talking about sanctions. At first sight that is surprising since yesterday, at a symposium in New York, the same Lord Skidelsky presented a paper on "Economic sanctions as a means to international health", the overall tone of which was highly sceptical.

I should know because I was a co-author of that paper, and the scepticism was more Skidelsky's than mine. I endorsed his sceptical conclusions but qualified them by pointing out some recent cases where sanctions can be said to have worked.

They helped Robert Mugabe's Patriotic Front to defeat Ian Smith's white minority regime in Rhodesia (now Zimbabwe) - though it took 14 years and a vicious guerrilla war.

They were surely a factor in the unexpectedly early and peaceful end of apartheid in South Africa. They did not bring the country to its knees, but they proved to the government and its supporters that white South Africa had very few friends in the world - and forced them to pay more attention to the advice of their few friends, such as Ronald Reagan and Margaret Thatcher.

Similarly, sanctions helped demonstrate Iraq's isolation in the run-up to the Gulf War. Since then they have inflicted crippling damage on Iraq's economy and substantially inhibited its rearmament, thus

serving to contain a regime which has twice in the recent past waged war (against Iran in 1980 and Kuwait in 1990).

However, the human cost has been very high: it is arguable that more could have been achieved, and at a lower cost in human suffering, if military force had been used to liberate the whole of Iraq instead of being confined to the Kurdish north.

They may have dissuaded Libya's Colonel Gaddafi from continuing his sponsorship of terrorism since 1982, and perhaps deterred other states from following his example.

The Haitian junta may have been encouraged to step aside in September 1994, rather than resist US military intervention, by personalised sanctions (the freezing of their personal assets in the US, and the prohibition of transactions with them by US citizens).

An anxiety to get sanctions lifted was an important motive prompting President Slobodan Milosevic of Serbia to detach himself from his former protégés, the Serb leaders in Bosnia and Croatia.

Sanctions probably played a part in bringing the UNITA faction in Angola back to the negotiating table after 1983, and thus led to the present ceasefire and peace process in that country.

The scepticism which Skidelsky and I share concerns the effectiveness of sanctions

The world was prepared to make such a judgment in South Africa because there is a consensus that systematic monopoly of power by a racial minority (or a white one, anyway) is unacceptable.

In Haiti, the judgment was made for two reasons: the 1991 coup ousted a president whose election had been monitored, and certified free and fair, by the UN General Assembly; and Haiti's close proximity to the US gave the most powerful member of the United Nations a strong interest in preventing civil war there - in order to avoid a mass influx of refugees into Florida.

But sanctions by themselves actually made this problem worse, by giving Haitians economic as well as political motives for fleeing the coun-

try, and thus made US military intervention more likely.

The two factors in Haiti are not likely to coincide often elsewhere. The international community will, therefore, hardly make a habit of applying sanctions wherever an elected government is overthrown by force; still less where a government (whether elected or not) starts to behave in a way likely to cause conflict.

The best we can hope is that the example made of countries which have caused conflict - such as Iraq, Libya and Serbia - will deter some others from behaving similarly.

None of this augurs very well for Skidelsky's proposal to threaten China with sanctions if it does not relent over democracy in Hong Kong. Certainly the threat to sponsor Taiwan's membership of the UN is less than credible since China is a permanent member of the Security Council and has a veto.

And the threat of trade sanctions is not much better following the U-turn two years ago by the Clinton administration, which meant that American trade with China was no longer conditional on improvements in human rights there.

If anything should give China pause for thought, it is the example of South Africa. The most effective sanction there was disinvestment, which was applied less for moral reasons, or by the decision of governments, than because investors perceived a mounting security risk.

For similar reasons, most western investors remain very reluctant to incur major exposure in Russia. They are not confident about political stability there, or about being protected by the rule of law.

They may well come to feel the same about Hong Kong, the International Monetary Fund, and the respective governments, understand that structural economic conditions in east Asia are vastly different from those in eastern Europe and the former Soviet Union, and therefore have called for

very different policy responses in eastern Europe and the former Soviet Union.

Whereas Asian transition economies began as overwhelmingly rural, peasant societies, with only a small proportion of the labour force in state-owned industry, eastern European and former Soviet economies began their transitions as overwhelmingly urban, industrial societies. The latter economies were in need of much more drastic downscaling of loss-making heavy industry, and a much more rapid shift to services.

Shock therapy (so-called) has proved, by far, to be the most effective, least-cost way to bring about these changes in eastern Europe and the former Soviet Union.

It is simplistic to compare economic outcomes of reform of labour-abundant, coastal countries such as Vietnam, with labour-scarce, land-locked countries of central Asia, since the latter have fewer opportunities for labour-intensive, export-led growth.

After six years, the record of rapid reforms in eastern Europe speaks for itself. Poland's reforms, which helped to design in 1989, have made Poland the fastest growing country in eastern Europe. Indeed, this year, per capita gross domestic product growth in Poland may outstrip the growth in east Asia. Other fast reformers, such as Estonia, Slovenia and the

The best we can hope is that the example made of countries which have caused conflict will deter others from behaving similarly

LETTERS TO THE EDITOR

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No start to negotiations

From Mr Zygmunt Tyszkiewicz, secretary-general, Unice.

Sir, Robert Taylor is wrong in reporting ("Talks on part-time workers", April 18) that Unice - the European employers' federation - and the European Trade Union Confederation are to start negotiations shortly on the legal rights of part-time workers.

Had he checked his story with Unice, he would know that no such decision has been taken nor can be taken until European employers and unions have had a chance to study the Commission's consultation document on this subject, made available to them only on April 18.

The decision whether or not it would be in the best interest of employers to use the "back of the hand" option allowed by the treaty is likely to be taken around mid-June, after full Europe-wide consultation of Unice's membership. Until then, any reports about negotiations are speculative.

Zygmunt Tyszkiewicz, secretary-general, Unice, Rue Joseph II, 40 B-1040 Brussels, Belgium

Good move for S African politics

From Obinna Ugochuku, Sir, Observer ("New Labour", April 15) doubts Mr Cyril Ramaphosa's ability to come back into a leadership role in South African politics from a "senior rung in an industrial conglomerate". How does that work?

Non-blacks have been able to play a role in South African government partly because of the real world business skills and experience they bring to their appointments. As you rightly pointed out Ramaphosa

is still young at 42; 10 years added to that puts him at the same age as current African National Congress deputy president Thabo Mbeki is now. That is more than enough time to make a difference in the man, a black South African politician who will have spent time gaining practical exposure to business issues and making contacts in the South African private sector. If he is the astute forward thinking man he appears to be, my guess is he will maintain

strong ties within the ANC. It is not impossible that Ramaphosa could come back into South African politics, probably better equipped than any black leader in his age group. The exposure to "world might conglomerate" would actually enhance his ability to reposition himself in South African politics, if the need arises.

Obinna Ugochuku, 2727 29th St, NW, Washington DC 20008, US

Hong Kong will to build

From Ms Helen Hood, Sir, In response to Mr Patrick Wye (Letters, April 17). I would argue that the "lack of" welfare support is not a significant factor in the success of Hong Kong. Perhaps on his visits to Hong Kong (assuming he has stayed here) he has managed to avoid seeing the street sleepers and beggars around the colony. In every society they persist to varying degrees, none less so than here. Hong Kong thrives from a generation of people and their descendants who came from China with nothing

and had the will to survive and build a future for themselves. That same will runs through the veins of Hong Kong today. It seems to me that the US with its well-touted concern for the welfare of its citizens, as well as looking after minority interests, has the greatest proportion of unemployed youths of whom the majority are "minorities". People in glass houses...

If the glove fits... buy it

From Mr John Anstis, Sir, It was comforting to read in the FT London Stock Market report on April 23 that the purchase of US-based medical glove manufacturer Aladain Corp by London International Group has been adjudged by UK analysts to be "a good fit".

Should we expect the acquisition to be financed by a one-for-five rights issue?

John Anstis, Stratford Lodge, 4 Park Lane, Salisbury SP1 3NP, UK

Report no rebuke to 'shock therapy' applied in eastern Europe

From Prof Jeffrey D. Sachs, Sir, Your reporter makes elementary errors of logic and fact in his story "ADB backs 'gradual' Asian reforms" (April 15). The Asian Development Bank annual report is no rebuke to "shock therapy" in eastern Europe, or to me. Serious analysts of these issues, certainly including those at the ADB, the European Bank for Reconstruction and Development, the World Bank, the International Monetary Fund, and the respective governments, understand that structural economic conditions in east Asia are vastly different from those in eastern Europe and the former Soviet Union, and therefore have called for

very different policy responses in eastern Europe and the former Soviet Union.

Whereas Asian transition economies began as overwhelmingly rural, peasant societies, with only a small proportion of the labour force in state-owned industry, eastern European and former Soviet economies began their transitions as overwhelmingly urban, industrial societies. The latter economies were in need of much more drastic downscaling of loss-making heavy industry, and a much more rapid shift to services.

Shock therapy (so-called) has proved, by far, to be the most effective, least-cost way to bring about these changes in eastern Europe and the former

Soviet Union. It is simplistic to compare economic outcomes of reform of labour-abundant, coastal countries such as Vietnam, with labour-scarce, land-locked countries of central Asia, since the latter have fewer opportunities for labour-intensive, export-led growth.

After six years, the record of rapid reforms in eastern Europe speaks for itself. Poland's reforms, which helped to design in 1989, have made Poland the fastest growing country in eastern Europe. Indeed, this year, per capita gross domestic product growth in Poland may outstrip the growth in east Asia. Other fast reformers, such as Estonia, Slovenia and the

Czech Republic, are also achieving rapid growth. The value of rapid reforms in eastern Europe are by now nearly universally recognised in that region (though not by your Manila-based reporter), in contrast to the confused, and contradictory reforms of countries such as Russia and some post-Soviet countries of central Asia.

Your reporter should not pick fights where they don't exist.

Jeffrey D. Sachs, Director, Harvard Institute for International Development, One Eliot Street, Cambridge, Massachusetts 02138, US

Personal View · Jose Almonte

Accommodate this ambition

China must be induced to develop a stake in the Asia-Pacific status quo

March 1996 will be remembered as a turning point in east Asia. China's brusque attempt to intimidate Taiwan and influence its presidential election shattered the region's comfortable assumption that drawing Beijing into east Asia's web of economic interdependence would moderate its political behaviour.

In fact, China has border disputes with 10 of its neighbours and claims to 2m sq km of territory - and has been involved in four local conflicts over the past generation. But the March events have renewed anxieties in east Asia about its huge neighbour and the stability of the world's fastest growing region.

For some time, east Asians have discerned opposing strains in Beijing's foreign policy. One is to modernise China's economy, for which it needs foreign markets, foreign investments and regional stability. The other is China's memory of 150 years of humiliation by the great powers, and its need to "right the wrongs of history".

We had assumed pragmatism would easily overcome nationalist sentiments. But even before testing unarmed missiles in the waters around Taiwan, Beijing had encroached on Mischief Reef in the Spratlys - only 135 nautical miles from the Philippine island of Palawan. China's claim to the Spratlys - which it disputes with five littoral states - hinges on the oil deposits the area is believed to contain, and on Beijing's new strategy of "forward defence".

China became a net oil importer in 1994. But military necessity seems an even stronger motive. People's Liberation Army (PLA) strategists have given up their Maoist guerrilla strategy in favour of building capability to fight a high-tech naval conflict in the China Sea and the western Pacific. We believe the PLA is using China's Spratlys claim to justify its modernisation plan, with the long-term goal of creating a powerful navy with



Steamed up: a flotilla of Chinese warships exercising last month off the south-east coast of China

international reach - which China has lacked since the early 15th century.

The Chinese encroachment on Mischief Reef concerns all the powers using the strategic sea-lanes of the South China Sea. President Fidel Ramos of the Philippines has proposed demilitarising the area, placing each disputed island under the stewardship of the claimant country closest to it - and then undertaking joint development ventures.

Only the US and Japan are strong enough to influence China's political evolution. How these three powers arrange their relationships will dictate our own security framework. Thus we regard the US-Japan relationship as the crucial regional relationship, in which we outsiders all have a vested interest.

How should its neighbours deal with China? Containment may have been justified for an ideological power like Stalin's Soviet Union. But it would be unwise to approach today's China with such a preconceived notion, when this huge and complex nation - a civilisation all by itself - is undergoing such an epic transition.

Certainly we need to discourage China's lingering idea of itself as the "Middle Kingdom", while encouraging trends that make its economy more interdependent with those of its neighbours. We must induce China to develop a stake in the Asia-Pacific status quo.

This is why the members of

the Association of South East Asian Nations (Asean) - even while judiciously building up arms inventories - refuse to commit themselves to a proposal for "prepositioning" US military supplies. But we may be sure Beijing's encroachments in the Spratlys will accelerate security co-operation among them and between them and the US and Japan.

Meanwhile, south-east Asia's goal of an Asean commonwealth should be achieved before 2000. Unification will give the nearly 500m people of the region the clout they need to become significant influences in the future world.

Another option our security experts are beginning to consider is a grouping of middle powers as a moderating influence in the region. Together with Australia and New Zealand, our 10 states can deploy economic and political weight comparable with any of the great powers. Last December's security agreement between Indonesia and Australia is a step in this direction.

The key to regional peace in the new century is accommodation of the ambitions of the rising powers - China, Japan, Russia, Indonesia, a unified Korea - for influence in regional affairs.

Because China's potential is so great and its ambitions so strong, it will not be content with remaining a regional power. And since American strategy in the Asia-Pacific

envisioned its continued pre-eminence, it is easy to foresee a difficult long-term relationship between two countries keen to establish hegemony in the 21st century.

Finding this key will thus be difficult. Fortunately we have the leisure to do so. None of the regional powers faces an immediate threat, and rivalry among them has lost its ideological edge.

Unlike Japan in the 1930s, China is entering an increasingly open world economy. And America's military superiority seems assured for at least the next 15-20 years since it keeps at the cutting edge of military technology.

Meanwhile, unifying forces are at work. The market has shown its ability to transfer power peacefully from the state to institutions of civil society. Ethnic Chinese entrepreneurial networks are linking our economies. And there are embryonic multilateral institutions such as the Asean Regional Forum and the Asia-Pacific Economic Co-operation forum.

Our interim goal should be to give liberalising influences in Chinese politics time to work out. The aim is to encourage a new generation of Chinese leaders to rise, who will seek satisfaction of their country's aspirations within the regional community.

The author is security adviser to the Philippine president and director-general of the National Security Council

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday April 24 1996

A Sino-Russian exchange

President Boris Yeltsin's first trip to Beijing since the end of 1993 will tell the rest of the world very little that it did not already know. The basic message will be that China and Russia share a long border and a desire to express their independence from the US. The more important - and ominous - issue raised by the visit will be whether Mr Yeltsin, bent on re-election, learns the wrong lessons about economic reform.

For China, the visit will be a useful opportunity to develop trading links, agree on border questions in a way that could reduce separatist pressure from minorities in both countries and step up Russian arms sales to Beijing. Given the poor state of Sino-US relations, it will also be a chance for China to show it has other important friends. Mr Yeltsin will doubtless come under pressure to agree to a joint statement about resisting interference in a nation's domestic affairs.

There seems little chance, however, of a bilateral pact of greater geo-political importance. Even a three-day display of Sino-Russian rapprochement is not going to convince anyone that relations with the US are not by a big margin China's number one concern.

Mr Yeltsin, presently hating the international Monetary Fund to receive this month's \$340m tranche of a crucial \$10.2bn loan, is in an even weaker position to claim indifference to US goals. But the pressures of the presidential election campaign have pushed him further and further in that direction in recent months.

This tactic seems to have gone down well with Russian voters, who have long blamed western-style reforms - rather than the haphazard way in which they have been implemented or the legacy of communism - for their troubles. Mr Yeltsin has gained steadily on Mr Gennady Zyuganov

In recent weeks, indeed, a poll yesterday put him fractionally ahead of the Communist chief for the first time.

The Russian desire to go it alone is twinned to another yearning, increasingly expressed, both inside and outside the Yeltsin camp, for a return to old-fashioned authoritarianism. Herein lies the immense appeal of "Chinese-style" economic reform, where the state has maintained a tight grip on the levers of power at the same time as beating western economies at their game.

The Russian government can learn many lessons from China's success, but a need for authoritarianism is not one of them. China's gradual route to the market was not open to Russia in 1989, nor is it available now.

China began as a very poor country populated by peasants on the edge of subsistence. The economy was far less industrialised than Russia's, with a far smaller proportion of the population enjoying the false security of the highly inefficient, state-run enterprises that made up the military-industrial complex. This meant that early, partial, liberalisation, in one area - agriculture - gave an enormous boost to living standards, thus providing momentum for other reforms.

Russia had none of these opportunities. The economic collapse of the first few years of reforms were an inevitable part of ridding the economy of the distortions it inherited from the Soviet era. Russia does need a stronger state. But only one that is capable, as was China's in its own way, of creating a more secure framework for private business. There is nothing in Russia's past - or in the objectives of Russian hardliners - to suggest that this can come through a rejection of democracy. Democracy is a good in itself. It is also essential for economic reform.

Labour rules

In his eight-month courtship of British business, Mr Tony Blair, the Labour party leader, has offered too little by way of detailed policy to underpin his intended message of reassurance. Yesterday's speech, which marked the end of Labour's Business Tour, was no exception. It tackled traditional gulfs between the opposition and business, but has proved more controversial within Labour than informative to those beyond. A thorough account of Labour's industrial policies is still required.

The speech set out to tackle the perceived concern that "Labour reaches for regulation" in its approach to business. Mr Blair's comments on employment law have won most attention.

His support for the Maastricht Treaty's social chapter and for "minimum standards of fair treatment at work" is not new. However, his declaration that "the job for life have gone", which jarred with many in his party, does represent a further incremental change in Labour's thinking. It acknowledges that work patterns are changing, he suggests that helping people acquire skills may do more for job security "than legislation alone". Labour's recognition that such forces are at work will be welcome to many businesses.

Beyond that point, however, Mr Blair is vague. He insists that his notion of the "stakeholder economy" does not imply more rules. He means, he says, simply "a change in corporate culture, where companies understand that the route to stability and prosperity in the future is through recognising the value of treating employees as partners in the enterprise, and developing relationships with customers and suppliers on a long-term basis". But if companies do not agree that this is the path to prosperity - more rules, or not? Mr Blair is silent.

On a broader front, Mr Blair rightly points out that the government has created many of the rules which its "anti-red tape" drive is designed to remove. But this initiative's fate under Labour is unclear. So, too, are the principles of a Labour competition policy. Would it favour the interests of the small business champion, or the creation of competition within the UK? How would it view takeovers, particularly by foreign companies?

Labour says it will publish more detailed proposals soon. While the tour has been an imaginative attempt to address business concerns, it needs to be followed rapidly with a clear statement of Labour's position on the questions at the heart of industrial policy.

Relieving debt

The proposals from the World Bank and International Monetary Fund for relief of the debt of the most grievously indebted poor countries have inevitably run into difficulties, some technical and some more fundamental. None the less, there is optimism that these will be solved by the time of the annual meetings at the end of September. They need to be, since the burden of unpayable deadweight debt is crippling the efforts of these countries at self-improvement.

Fortunately, the meetings in Washington this week have seen a general acceptance of the case for rescheduling the 8 to 20 countries with unsustainable debt, over a fifth of which is due to international financial institutions. The devil, as usual, is in the detail and, in this case, that detail is mind-numbing. There are two fundamental concerns, however: first, how to fund the IMF's share of the debt relief operation; and, second, how to divide the burden between bilateral donors and the international financial institutions.

Resolution of the first matters because it will determine whether or not the IMF can make its required contribution. Germany and Japan, in particular, believe that sales of the IMF's gold would set an undesirable precedent. A

proposed solution is to "ring-fence" these sales. The more fundamental point is that the gold no longer serves a useful monetary purpose and should be used for something more valuable, such as the proposed debt relief.

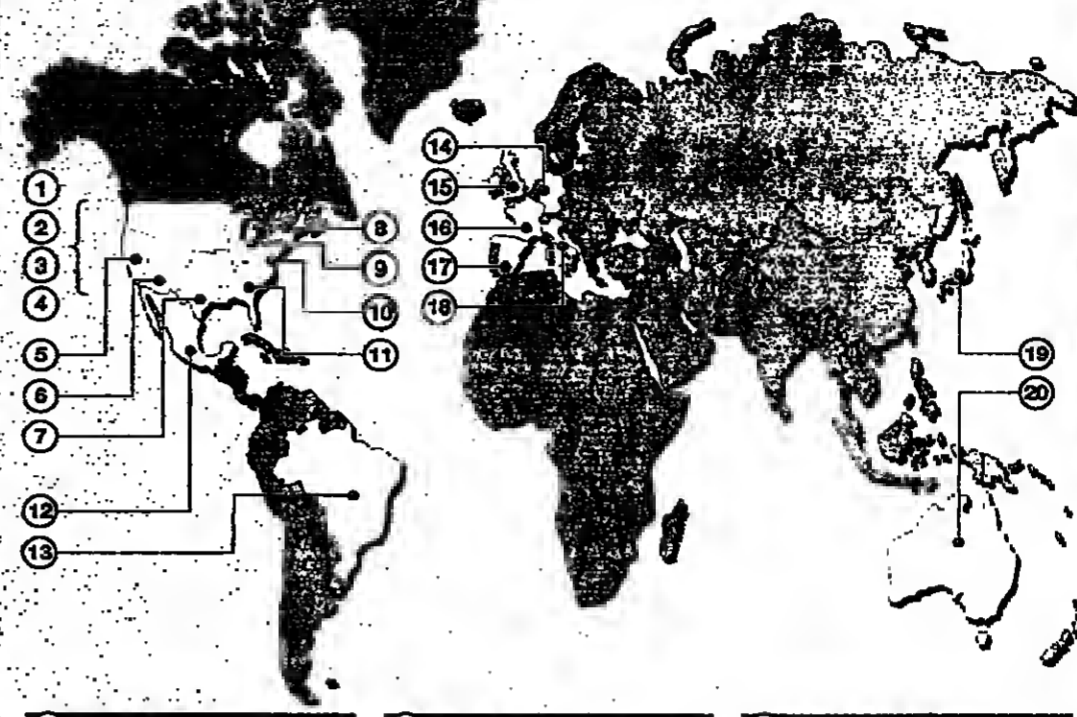
The second concern is partly about whether bilateral creditors will relieve enough of their debt. Overall, they account for 58 per cent of the total sums outstanding from the target countries. In some cases they will have to increase the proportion of the bilateral debt to be relieved above the 57 per cent agreed at the end of 1994. Some donors are more willing to consider this than others.

Also important, however, is the willingness of bilateral creditors to contribute to the facility intended to deal with the debt due to the World Bank. The concern here is one of equity. If the needed sums - \$250m to \$350m a year is being mentioned - came entirely from the Bank's net income, this would be at the expense of other potential borrowers, who are in a worse position to bear the cost than the industrial countries.

Above all, the burden of unsustainable debt needs to be lifted both swiftly and equitably. Failure to resolve these relatively trivial problems by September would be quite inexcusable.

Telecoms: generating cash on an impressive scale

Company	Year	Total revenue (\$m)	Pre-tax profit (\$m)
1 AT&T	1993	66,261	8,003
	1994	77,094	7,518
2 GTE	1993	10,748	1,568
	1994	18,944	3,983
3 MCI	1993	11,292	1,045
	1994	19,338	1,289
4 Sprint	1993	11,269	789
	1994	12,862	1,575
5 Pacific Telesis	1993	9,244	230
	1994	8,235	1,877
6 US West	1993	10,294	744
	1994	10,093	2,283
7 SBC	1993	10,090	2,050
	1994	11,819	2,434
8 Nynex	1993	13,406	1,306
	1994	15,307	1,896
9 Ameritech	1993	11,885	2,223
	1994	12,570	1,741
10 Bell Atlantic	1993	13,145	2,274
	1994	13,791	2,887
11 BellSouth	1993	15,880	1,805
	1994	16,844	3,403
12 Telmex	1993	25,335	11,812
	1994	28,215	8,929
13 Telebras	1993	5,134	417
	1994	7,736	944
14 Deutsche Telekom	1993	62,871	3,199
	1994	68,808	7,145
15 BT	1993-94	13,675	1,662
	1994-95	13,000	2,682
16 France Telecom	1994	158,000	17,407
	1995	1,090,842	153,791
17 Telefonica	1993	1,300,417	153,791
	1994	1,590,842	200,759
18 Telecom Italia	1994	28,852,748	3,182,524
	1995	29,852,748	3,182,524
19 NTT	1993-94	6,862,476	118,906
	1994-95	7,037,262	147,755
20 Telstra	1992-93	12,123	1,978
	1993-94	12,788	2,516



High-flyers seek second wind

The rash of mergers and alliances in the telecoms industry reflects fears of stagnating revenue and declining profits, says Alan Cane

The telecommunications industry is prodigiously profitable. The leading telecommunications operators are, for the most part, awash with cash. For many, it is easier to buy a competitor with a promising product or service than to develop their own.

The Geneva-based International Telecommunication Union estimated 1994 revenues for the global business, taking in the computing and audiovisual sectors, at \$1,430bn, equivalent to 6.9 per cent of the world's gross domestic product. The gross operating margin, a measure of profitability, is estimated to be 40 per cent of revenues. No wonder the sector is a darling of the investment community.

The end of the lode may be in sight, however. Growth of the basic business of providing telephone lines and services is falling rapidly, at least in developed economies. Price regulation and new competition are gnawing away at profit margins. Monopoly profits will fall victim to market liberalisation.

If telecoms operators cannot find new products, services and markets to exploit by the turn of the century the industry will, according to Mr Tim Kelly, the ITU's head of operational research, "look increasingly like an 'ordinary industry' with 'ordinary' profitability and return on capital.

Such fears of stagnating revenue growth and declining profits in what has been one of the world's highest-flying businesses are a principal cause of the rash of mergers and strategic alliances now convulsing the global industry.

The most recent example is the proposed merger this week between Bell Atlantic and Nynex, two of the seven "Baby Bell" regional opera-

tors created after the break-up of the Bell System monopoly in the early 1980s. If the regulatory authorities agree to the plan, it will create the second largest US telecoms company, capitalised at about \$1bn.

Three weeks ago, two other Baby Bells, SBC Communications and Pacific Telesis, announced that they were merging to create a \$500m telecoms giant. Other alliances involving the remaining three Baby Bells are in prospect.

The deals, which have been some months in preparation, were triggered by the passage this February of the 1995 US Telecoms bill. This radical measure removes the regulatory barriers that have separated the telephone, cable and broadcast industries. In particular, it allows long-distance operators such as AT&T, MCI and Sprint to compete in regional markets, and local operators like the Baby Bells to compete in the long-distance market.

The logic behind the Bell Atlantic/Nynex deal is particularly compelling. The companies operate in contiguous areas on the eastern seaboard, enabling them to compete for the lucrative revenues from long-distance calls between them.

Furthermore, Nynex has a majority stake in Nynex Cablecomms, a UK-based cable television operator which - like all cable companies in Britain - is permitted to offer both conventional telephone services and entertainment. Nynex is also a principal investor in Flag, a project to construct a fibre-optic cable between Europe and Asia Pacific. Yesterday, it signed an agreement with Sprint Communications, the third largest US long-distance operator, which will allow Nynex into the long-haul market. These assets will give the merged company a significant international presence.

The bigger US operators have all sought a wider role in global markets in recent years, but such ambitions have been diverted by the passage of the telecoms bill. Coming soon after Washington's multi-billion dollar auction of cellular phone licences last year, it has turned the attention of the US industry inwards at a time of unprecedented activity elsewhere.

Outside the US, international alliances hold centre stage. The immediate cause of excitement has been the revelation a month ago that the two largest UK telecoms companies were in discussions which could lead to a merger. British Telecommunications and Cable and Wireless are hoping to create a \$33bn giant which could become the first truly global telecoms operator.

It is a development which should concern AT&T and other US operators with international ambitions. Yet one senior manager with extensive international experience says: "The Americans are distracted by what is happening in the US. I do not believe that what is happening with BT and C&W is central to their thinking. While the French and Germans are probably alarmed at the prospect of such a powerful competitor, AT&T is probably marginally irritated."

There is no guarantee that BT and C&W can make the merger work. Their top managers and financial advisers are locked in talks which seem set to go on for some weeks.

The geographic fit between the two companies is impressive, however. BT has been building a strong European presence and has a foothold in north America through its 20 per cent stake in MCI, the second

largest US long-distance operator. C&W has a clutch of overseas holdings - the most important a majority stake in the very profitable Hongkong Telecom, key to the Chinese mainland.

The prospect of a deal is enough to set pulses racing among the top management of almost every other telecoms operator as they evaluate the likely consequences of it. All face acute challenges in their home markets from a combination of technology, regulation and liberalisation. Of the three, technology in the form of digital transmission, fibre optics, microelectronics and wireless telephony is possibly the most insidious and corrosive. Not only does it make it cheaper for new competitors to enter the market, it reduces the profit margins on services in liberalised markets.

Something similar happened in the computer industry, where large companies such as IBM and Digital Equipment were forced into restructuring as prices fell faster than overheads. Telecoms switches these days are simply large computers and subject to the same price collapse.

Regulation is a further hazard. In newly liberalised markets, regulators control prices to protect customers from undue price increases and encourage competition. It is widely believed in the industry that BT's plans to invest heavily abroad are designed to counter increasingly tough price controls in the UK.

Competition, the purpose and inevitable consequence of liberalisation, is also driving prices down in developed markets. The larger operators must defend their home markets while building revenues abroad. The largest have formed "super-carriers" to compete for the business of the larger international companies: BT and MCI, for example, have a joint venture called "Concert"; the Deutsche Telekom and France Telecom company, GlobalOne, opened for business this year. AT&T continues to work with a consortium of smaller operators it calls World Partners.

For all these reasons, the world's telecoms operators must encourage greater use of the telephone and other telecoms services and seek economies of scale and operating efficiencies. Inevitably they will move into broadcast and on-demand entertainment: the involvement of the Baby Bell US West with the cable companies Time Warner and Continental Cablevision is a pointer to the future.

The most eloquent pointer, however, is the state of the US airline industry. Close parallels can be drawn between the two businesses: in the airline business, liberalisation resulted in cut-throat price competition which drove weaker operators out of business and damaged some larger ones.

The same pattern is expected in telecoms. Within a decade, there will be only a handful of global operators competing for the business of the world's major companies. Mergers which would have been unthinkable a few years ago will have thinned their numbers.

It is, for example, no longer impossible to envisage a merger between Deutsche Telekom and France Telecom. The weaker will have gone to the wall, found market niches or secured alliances with the industry giants. Deals such as the merger between Bell Atlantic and Nynex or, if it comes off, BT and C&W represent more than just commercial opportunism. They are the stuff of survival in an increasingly unfriendly world.

OBSERVER

Silver linings everywhere

Let no-one tell you that times are hard in Russia. Sun, the average Russian salary is about \$150 a month, but he (and she) can sleep sound at night, secure in the knowledge that standards are being kept up.

It's emerged that this year the Kremlin ordered 6,000 rather swish pieces of hand-crafted sterling silver, including caviar bowls, champagne buckets and fishware - to kit out four presidential residences - manufactured by the German specialist Rohbe and Berking. The company won't put a total price on the order, but its dessert spoons cost \$85 apiece. Pocket a few of these and you will soon be able to retire to a decent dacha.

At the presidential residences, diners will enjoy several places created especially for the Kremlin: a small silver bowl for a traditional hot mushroom and sour cream appetiser, silver teacup holders, and shell-shaped silver plates for mussels. Each item has been engraved with Russia's double-headed eagle imperial seal. Pass the vodka...

Sensual empire
French hacks are closely

watching Sogressa, the obscurely named media conglomerate spinning Le Figaro, France Soir and numerous regional papers controlled by Robert Hersant until his death on Sunday. The group's financial health is veiled in obscurity, though it's rumoured to be heavily indebted to several French banks which themselves are looking none too chippy.

Hersant was equally reserved concerning his private life; there's no mention of any offspring in his entry in Who's Who, yet he created quite a personal empire, marrying several times and fathering eight children.

One son, Philippe, missed out on the job as Hersant's successor at Sogressa; that instead went to Yves de Chateaufort. But Philippe remains chairman of another Hersant creation, France-Antilles, whose assets include newspapers in the rather sun-kissed settings of Guadeloupe, Martinique, Reunion and Tahiti. Life's certainly tough at number two.

A novel plot
It's not often a novelist is pressed into becoming president of a country, though Gabriel Garcia Marquez would no doubt have preferred the offer had arrived in slightly different guise.

A clandestine extremist group calling itself Dignity for Colombia has just demanded that the Nobel

literary prizewinner assume the presidency of Colombia. If he agrees, the group says it will release Juan Carlos Gaviria - brother of former president Cesar Gaviria - whom the group claimed it kidnapped on April 2, in order to press for the resignation of President Ernesto Samper.

Garcia Marquez modestly rejected the demand because he thinks he would make "the worst president" in Colombian history. Not that bad, surely?

Peruvian penalty
The faint-hearted may be advised to look away as south America's football World Cup qualifying competition gets under way today. Football, the world's biggest sport, is becoming increasingly difficult to escape, whichever hemisphere you live in. Europe stages the finals of its own football championship in England in June. Meantime, Europe starts its qualifying competition for the 1998 World Cup today, as does Latin America.

Nine South American countries will struggle for a place at the 1998 World Cup finals, in a drawn-out qualifying contest in which ignominy is the penalty for failure. On the other hand, Latin American countries that normally receive only negative publicity view the football World Cup as their greatest opportunity to redress the balance

and bathe in the global spotlight. But be warned. These matches can turn nasty. Trouble can spread well beyond the confines of the stadium. Today's most sensitive encounter, in Guayaquil, involves Ecuador and Peru, which at the start of last year fought a small border war, in which dozens of people died. If you are thinking of visiting that fine city today, for business or whatever - proceed very carefully.

Tumbling act
It would indeed be difficult to make this one up. It seems the practice of church ministers holding services dressed as clowns is taking off in parts of Sweden; the diocese of Vaesteras, some 60 miles west of Stockholm, is organising a clown course.

Several ministers in the Swedish Lutheran Church have already independently taken clown courses; teaching the new course is British church minister and clown Roly Bain, the founder of the Holy Fools association, which claims about 200 members in England.

His more orthodox colleagues suggest Bain is poking fun at the church. Not so, says Joan Donkin, a consultant with the diocese in Vaesteras: "He presents the Gospel with humour [and] creates environments which result in meetings with God." God, this is Coco - Coco, God.

100 years ago
Australian banking
People who have followed the course of Australian banking for the past few years have ceased to be taken by surprise by rumours affecting the reconstructed banks in the Colonies, so that the announcement which appears in the "Melbourne Argus," just to hand that one, or possibly two more of these institutions, are about to seek concessions from their creditors is received in a very philosophic way. The "Argus," which is the leading daily paper in Melbourne, states in a very authoritative manner that certainly the Australian Joint Stock Bank, and possibly the Queensland National Bank, have to ask their creditors for a reduction of the rate of interest on deposits.

50 years ago
Montreal's refunding
The plans for refunding Montreal's debt are gradually taking shape. The city's executive chairman said that bids to refund the U.S. portion of the city's debt would probably be called in four instalments, starting with \$20,610,000 on 1st June. It has not been decided whether the Canadian refunding will be in instalments or in a single block.

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Backing of former Communists essential Prodi aims to move fast to form new government

By Robert Graham in Rome

A new Italian government could be formed quickly in the wake of the centre-left's victory in Italy's general elections, Mr Romano Prodi, leader of the victorious Olive Tree alliance, said yesterday.

Speaking to foreign correspondents, the Bologna economics professor said there was no alternative to a centre-left government. This would accelerate the consultation process with other parties and the head of state.

Support for the formation of the new government came yesterday from Mr Fausto Bertinotti, leader of Reconstructed Communism (RC), formed from the hard-line of the old Communist party. RC campaigned with Olive Tree but refused to endorse the latter's programme for government.

The backing of RC's 35 deputies is essential for Olive Tree's majority in the lower house. Mr Bertinotti said: "We are prepared to help in the birth of the new government to reinforce the vic-

tory against the right." He said his party would not enter the government but would form part of the parliamentary majority. He was cautious about revealing his stance on some issues, including wage indexation and privatisation, on which RC diverged from the government, but hinted compromise was possible provided the government was prepared to accommodate his views.

On the stalled privatisation of Stet, the state-controlled telecoms group, Mr Bertinotti said he was opposed to the loss of public control. However, Mr Prodi said yesterday he hoped to begin selling off at least part of Stet this year.

Mr Walter Veltroni, deputy leader of Olive Tree and almost certain to be vice-premier, said he believed a deal could be worked out with RC. But he also pointed out that the populist Northern League had supported the economic policies of the previous government led by Mr Lamberto Dini, and he hoped for their support too.

Japanese may adopt US mobile telephone standard

By Michyo Nakamoto in Tokyo

Japanese mobile phone companies are considering adopting a US standard for digital telephones to use radio frequencies more effectively amid rapidly expanding demand for cellular phones.

DDI and IDO, two of Japan's leading cellular phone operators, said they were considering the use of the code division multiple access (CDMA) standard on the recommendation of a government advisory panel.

Use of the CDMA standard by the Japanese groups would be a victory for its US supporters who have been seeking to establish it as an international standard.

It would, however, be a blow to Europe's Groupe Speciale Mobile (GSM) standard which is the leading digital technology, claiming to have 6m subscribers throughout Europe and in many Asia Pacific countries.

Japan's telecommunications technology council recommended that the government allow the use of CDMA to deal with projected capacity constraints. Only the personal digital cellular (PDC) standard, developed by NTT, Japan's former telecommunications monopoly, is currently recognised.

Adoption of the CDMA standard would be one of the rare occasions when Japan's industry voluntarily signed up to imported technology. The domestic telecoms industry has depended on technology developed by NTT, which has often been out of line with international standards. In 1988, Japan agreed to adopt a US standard for analog mobile phones, but only after pressure from Washington.

Japan's cellular phone market more than doubled from 4.33m subscribers in March 1995 to 10m at the end of last month. At its current growth rate, the telecoms council says the market, the second largest after the US, will have 32.5m subscribers by 2000.

Japanese authorities and the mobile phone industry are worried, however, that capacity will reach a limit before 2000 unless attempts are made to use radio frequencies more effectively.

The telecoms council says adopting the CDMA standard would be part of those measures.

DDI said it would not be able to make a final decision until the government advisory panel published its full recommendation in autumn.

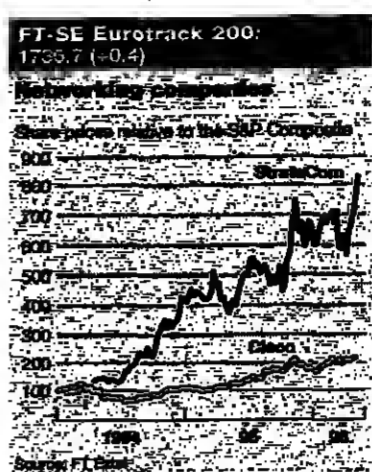
However, in addition to effective use of frequencies, the CDMA standard offered the possibility of shifting users of analog cellular phones to digital phones with the least disruption. DDI said.

NTT Docomo, Japan's largest cellular phone operator, with a 48 per cent market share, said it planned to continue using the PDC standard.

THE LEX COLUMN

Bottoms up

Rémy Cointreau's comparatively upbeat trading statement, which spurred a 4 per cent rise in its shares yesterday, hides a multitude of sins. True, last year's profits are set to be only slightly down and the dividend is being maintained. But profits before exceptional items will be negligible. The dividend is coming from asset disposals and the supply of saleable assets is dwindling.



Of course, a stronger dollar against the franc will boost profits, as will falling French interest rates - total group debt is still FF1.5bn (\$115bn). Nonetheless, Rémy faces the fundamental problem that it has insufficient brands to justify its distribution network. And since the Hédiard Dubreuil family controls 53 per cent of the company and appears fiercely committed to independence, takeover rumours should not be given much credence.

The greatest opportunity to reverse the underperformance of Rémy shares would be for the group to merge with a medium-sized competitor, or sell a chunk of its distribution business, Rémy et Associés, to other spirits groups. Brown-Forman and American Brands of the US, and Pernod Ricard of France would all make logical partners, but if Rémy is not prepared to relinquish control, such a deal's attractions may not be overwhelming.

At least the agreement to distribute IDV drinks in Singapore and Malaysia makes good sense, but it barely scratches the surface of Rémy's problems. Its shares are trading at 34 times forecast pre-exceptional 1996-97 profits, and if management fails to deliver dramatic restructuring, continued underperformance looks inevitable.

all-singing, all-dancing networks capable of carrying voice, data and video traffic at high speed. Supplying the equipment to run such networks will require skills in both voice and data networks. Hence, the Cisco/StrataCom deal: Cisco is strong not only in the Internet market but also in private networks; StrataCom is a rapidly growing supplier of last switches to telecoms companies.

The deal also highlights the fact that hardware companies can have as much fun as software groups. The purchase price values StrataCom at a fancy 12 times last year's sales. Fortunately, that will not stretch Cisco too much because it is paying in shares; as a multiple of sales, its \$77bn market capitalisation is nearly as fancy. Not bad for a 12-year-old company.

that is British Energy, which looks a bargain.

Alternatively, Southern Company could bid for National Power and Southern Electric together. That way, it could actually add some value; putting together two contiguous companies, Southern Electric and South Western Electricity (Sweb), would generate cost savings as well as even more formidable vertical integration.

Such a deal would almost certainly be referred to the MMC. But now that the principle of vertical integration has been conceded, there is a reasonable chance that the Commission would wave it through. Even if it did not, the downside looks slim. If the worst case to the worst Southern could simply sell Sweb and hang on to the much bigger Southern Electric.

Rentokil/BET

The battle for BET, billed as one of the most hotly bid of recent years, is packing a good deal of excitement into its last week. By persuading some of its leading institutional holders to put their mouth where their money is, BET has publicly secured over 17 per cent of the votes in its favour. Apathy among smaller shareholders and those who cannot accept a bid for technical reasons - such as index-tracking funds - should be worth another 10 per cent. On the opposite side, Rentokil bought 6.8 per cent of BET in the market yesterday and can buy up to 30 per cent if it sticks to the cash alternative price of 202.5p. Another 20-30 per cent of the shares are with arbitrageurs and marketmakers, who will accept the offer to make a quick profit. The mathematics and the fact that the BET share price is still 5 per cent below Rentokil's offer cash and share offer favour the predator. But it is no longer a foregone conclusion.

Much of the credit must go to BET's stubborn defence. Mr John Clark, its chief executive, has done a decent job restoring BET to health. But his growth plans rest largely on developing more capital-intensive, risky businesses, like conference and resort management, which the group has only recently bought into. By contrast, Rentokil's appeal remains its spectacular record under Mr Clive Thompson, the chief executive, and his plans to grow margins and turnover at BET's traditional businesses such as office cleaning and textile services. And the deal is expected to enhance earnings from the outset. Undecided shareholders should accept Rentokil's offer.

Additional Lex comment on Sears, Page 20

Chechen rebels deny Russian claims that leader is dead

By Chrystia Freeland in Moscow

Russian troops fired shots into the air yesterday following reports by a state news agency that Mr Dzhokhar Dudayev, the Chechen separatist leader, had been killed. But some Chechen representatives denied the claim and Russian government officials could not confirm it.

If Mr Dudayev - a former Soviet air force general whose fighters have resisted the Russian military for nearly 18 months - is dead, Russian president Boris Yeltsin, struggling for re-election, could claim an important victory. But his death could also provoke reprisals from the Chechens.

Itar-Tass, the Russian news agency which often acts as a government mouthpiece, said that Mr Dudayev died on Sunday night in a Russian rocket-strike on the village of Gokhi-Chit, in south-western Chechnya. Tass said a prominent Chechen leader delivered a statement about Mr

Dudayev's death to the agency's office in Grozny, the Chechen capital.

But Mr Sainudi Khasanov, one of Mr Dudayev's aides, denied the report. Speaking to the independent Russian news agency Interfax from somewhere in southern Chechnya, Mr Khasanov said his leader was "alive and working as usual". Several other Chechen representatives also dismissed the report.

Russian government sources, military spokesmen and representatives of the pro-Russian government in Chechnya all said they could not confirm or deny the Tass report.

Some analysts said Mr Dudayev's death could play into Russia's hands by fragmenting the separatists. But, if the report is true, it could also set off a fierce attack on Russian forces as Chechen fighters seek revenge.

Tass quoted a statement from the Chechen separatist leadership which declared that "at this time of great sorrow... we have

only been strengthened in our hatred of the aggressor". Tass also reported that Mr Dudayev's deputy had taken over as the new commander.

The death of Mr Dudayev would have a tremendous impact on Russian presidential elections, scheduled to take place in less than two months.

Conflicting reports and blatant lies, reminiscent of the Soviet era, have characterised the Chechen conflict from the outset. Russian leaders have set the tone, repeatedly minimising the scale of the war.

As part of his re-election campaign, Mr Yeltsin has vowed to end the war in Chechnya, which he has publicly conceded to be one of his biggest political handicaps.

In February, Mr Yeltsin said Mr Dudayev should be shot, but last month the Kremlin boss said he was willing to hold indirect talks with the Chechen leader who has humiliated Russia's military machine.

Merger plan hits Mexico telecoms group

Continued from Page 1

groups against Telmex, would lower the probability of a damaging price war such as the one which occurred in Chile when the long-distance telecoms market became a free-for-all in 1994.

The Alestra alliance brings together Bancomer's large bank customer database as well as the experience of three big foreign

telecoms groups in providing long-distance services. But it is also a reflection of the difficulties the Mexican companies were experiencing in raising their required investment in the midst of a deep recession.

"We are going to have to go to the markets to look for these funds," said Mr Peter Hutchinson, the head of Alfa's telecoms project. "It's not as if we each

had \$1bn in our pockets." Alestra's five-year investment plan has been maintained at \$1bn, which has effectively halved the capital outlays of the partners in the new venture.

Alfa has a 25.6 per cent stake in Alestra, followed by Bancomer with 25.4 per cent, AT&T with 20 per cent, and GTE and Telefonía Internacional with 14.5 per cent each.

However, in addition to effective use of frequencies, the CDMA standard offered the possibility of shifting users of analog cellular phones to digital phones with the least disruption. DDI said.

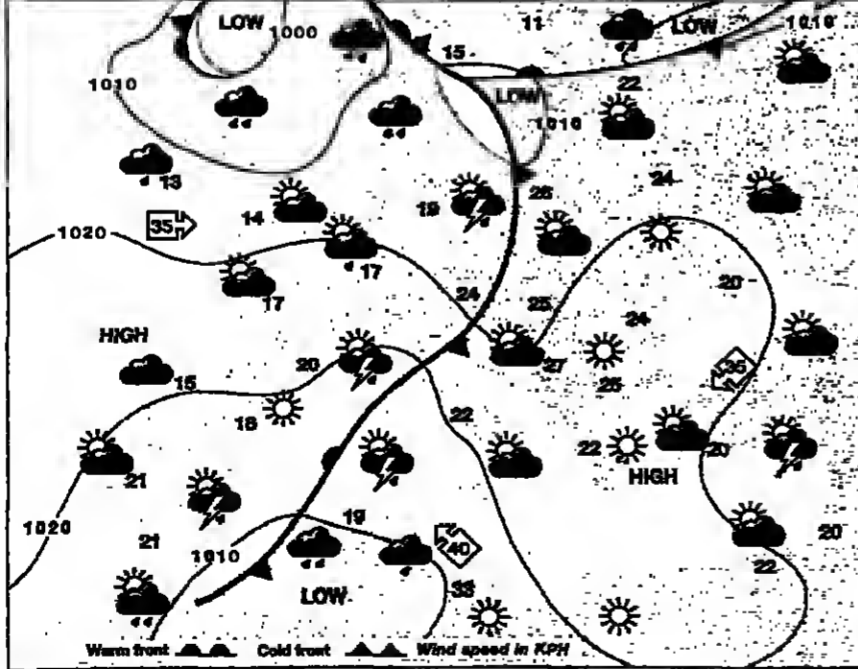
NTT Docomo, Japan's largest cellular phone operator, with a 48 per cent market share, said it planned to continue using the PDC standard.

Europe today

Most of western Europe will be cooler and cloudy, with sunny periods. Inland areas will have showers, and the UK will be cloudy with light rain. A wide area from Poland, across the southern Alps and into northern Italy will have showers with some thunderstorms. Further east it will be dry, warm and sunny, especially in Greece and eastern Turkey. South-western Russia will have widespread sunshine, but northern parts of the country will be overcast with patches of rain.

Five-day forecast

Western Europe will remain mainly dry, becoming warmer and sunnier later in the week. The British Isles will become drier, although on Friday northern areas will have some light rain. Showers will move across central Europe, bringing rain to eastern areas at the weekend. Low pressure over the Mediterranean will bring cloud and intermittent rain.



TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Madrid	18	Cardiff	12	Faro	18	Madrid	18
Casals	18	Cardiff	12	Faro	18	Madrid	18
Belfast	18	Cardiff	12	Faro	18	Madrid	18
Salgado	18	Cardiff	12	Faro	18	Madrid	18
Berlin	18	Cardiff	12	Faro	18	Madrid	18
Bermuda	18	Cardiff	12	Faro	18	Madrid	18
Bogota	18	Cardiff	12	Faro	18	Madrid	18
Bombay	18	Cardiff	12	Faro	18	Madrid	18
Budapest	18	Cardiff	12	Faro	18	Madrid	18
Buenos Aires	18	Cardiff	12	Faro	18	Madrid	18
Calcutta	18	Cardiff	12	Faro	18	Madrid	18
Chennai	18	Cardiff	12	Faro	18	Madrid	18
Dublin	18	Cardiff	12	Faro	18	Madrid	18
Dubrovnik	18	Cardiff	12	Faro	18	Madrid	18
Edinburgh	18	Cardiff	12	Faro	18	Madrid	18
Geneva	18	Cardiff	12	Faro	18	Madrid	18
Hankou	18	Cardiff	12	Faro	18	Madrid	18
Hong Kong	18	Cardiff	12	Faro	18	Madrid	18
Honolulu	18	Cardiff	12	Faro	18	Madrid	18
Islamabad	18	Cardiff	12	Faro	18	Madrid	18
Jakarta	18	Cardiff	12	Faro	18	Madrid	18
London	18	Cardiff	12	Faro	18	Madrid	18
Los Angeles	18	Cardiff	12	Faro	18	Madrid	18
Manila	18	Cardiff	12	Faro	18	Madrid	18
Moscow	18	Cardiff	12	Faro	18	Madrid	18
Mumbai	18	Cardiff	12	Faro	18	Madrid	18
Nairobi	18	Cardiff	12	Faro	18	Madrid	18
Paris	18	Cardiff	12	Faro	18	Madrid	18
Perth	18	Cardiff	12	Faro	18	Madrid	18
Prague	18	Cardiff	12	Faro	18	Madrid	18
Rangoon	18	Cardiff	12	Faro	18	Madrid	18
San Francisco	18	Cardiff	12	Faro	18	Madrid	18
Singapore	18	Cardiff	12	Faro	18	Madrid	18
Stockholm	18	Cardiff	12	Faro	18	Madrid	18
Sydney	18	Cardiff	12	Faro	18	Madrid	18
Taipei	18	Cardiff	12	Faro	18	Madrid	18
Tel Aviv	18	Cardiff	12	Faro	18	Madrid	18
Tokyo	18	Cardiff	12	Faro	18	Madrid	18
Toronto	18	Cardiff	12	Faro	18	Madrid	18
Vancouver	18	Cardiff	12	Faro	18	Madrid	18
Warsaw	18	Cardiff	12	Faro	18	Madrid	18
Wellington	18	Cardiff	12	Faro	18	Madrid	18
Winnipeg	18	Cardiff	12	Faro	18	Madrid	18
Zurich	18	Cardiff	12	Faro	18	Madrid	18

Another vintage year for the Flemings Food and Drinks Team

<p>July 1995</p> <p>Kerand Limited £250 million Acquisition of</p> <p>THE TETLEY GROUP of</p> <p>Allied Domecq plc</p> <p>Initiated and advised by Flemings</p>	<p>February 1996</p> <p>DANONE</p> <p>US\$110 million Alliance with Glover SA The South African Dairy Company</p> <p>Flemings Initiated the transaction and acted as financial adviser to Groupe Danone</p>
<p>May 1995</p> <p>BRITISH SUGAR</p> <p>Associated British Foods plc Establishment of a joint venture between British Sugar and Guangxi Yishou Sugar Development Head Company to modernise and expand a sugar refinery in Guangxi Province, South West China</p> <p>Flemings acted as financial adviser to Associated British Foods plc</p>	<p>August 1995</p> <p>Arnot's Biscuits Limited</p> <p>Acquisition of PT. Bukit Manikam Sakti in Indonesia</p> <p>Flemings acted as financial adviser to Arnot's Biscuits Limited</p>
<p>November 1995</p> <p>Dalepak</p> <p>£70 million Merger with Cavaghan & Gray Ltd. to form Cavaghan & Gray Group PLC</p> <p>Flemings acted as sponsor to the merged Group and financial adviser to Dalepak Foods PLC</p>	<p>March 1996</p> <p>International Distillers & Vintners Ltd the distiller business of Great Metropolitan PLC Establishment of Qian Shengyong International Distillers Co. Limited, a joint venture between International Distillers & Vintners Ltd and Qian Distillery in Shandong Province, China</p> <p>Flemings acted as financial adviser to International Distillers & Vintners Ltd</p>



Contact: John Spayne 0171-382 8247

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Wednesday April 24 1996

IN BRIEF

Grain futures hit record in Chicago

Grain futures prices surged to fresh highs in Chicago yesterday as damage to the US winter wheat crop continued to fuel fears of a shortage. The July wheat contract rose 25 cents in early trading to \$6.15 1/4 a bushel after the exchange increased the daily trading limit to 30 cents. It closed up 21 cents to \$6.15 1/4. July maize futures climbed 10 1/4 cents to a new closing high of \$4.60 a bushel. The surge in grain prices comes against a background of exceptionally tight world supplies, with world wheat stocks at a 20-year low. Page 22

Bouygues releases 1995 results

Bouygues, the French construction group, released its 1995 results adjusted by more than FF1bn (\$190m) in a highly unusual move triggered by pressure from the government's accountancy regulator. Page 16

Blizz appointed MCA studios chairman

Mr Frank Blizz, who was abruptly dismissed as chief executive of Viacom, the US media group, in January, has been appointed chairman of MCA film studios, one of the most prominent jobs in Hollywood. Page 19

Last Saudi orders to hit Babcock profits

Babcock International, the UK process engineering and materials handling group, issued a profits warning after blaming tension between the UK and Saudi Arabia for a big fall in orders. Page 20

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Chief price changes yesterday

PARIS (FF)		LONDON (Pence)	
Alcatel	871 + 15.2	Alcatel	73 + 7.3
Autoliv	275.5 + 8	Autoliv	23 + 3
BASF	330 + 15	BASF	118 + 10.6
Bombardier	245 + 5.5	Bombardier	172 + 37
Bouygues	300 - 20	Bouygues	102 + 11.8
BT	504 - 10	BT	106 + 7.6
NEW YORK (Dollars)		TORONTO (Cdn)	
Alcatel	109 + 2.6	Alcatel	33.8 + 1.5
Digital Equip	89.6 + 0.8	Autoliv	22.25 + 0.25
IBM	109 + 2.6	BASF	33.8 + 1.5
Intel	44 + 4	Bombardier	38.9 + 2.4
Motorola	224 + 3.6	BT	35.9 + 1.1
Oracle	67.4 + 0.4	BT	35.9 + 1.1
Philips	78 + 7.3	IBM	22.25 + 0.25
Siemens	73 + 3	Intel	35.9 + 1.1
Stamps	118 + 10.6	Motorola	102 + 11.8
Telecom	172 + 37	Oracle	67.4 + 0.4
Verba	106 + 7.6	Philips	78 + 7.3
Winterhall	17 + 1.1	Siemens	73 + 3
		Stamps	118 + 10.6
		Telecom	172 + 37
		Verba	106 + 7.6
		Winterhall	17 + 1.1

Stena blames Eurotunnel for deeper losses

By Hugh Carnegie in Stockholm
Intense competition from Eurotunnel, the financially beleaguered operator of the Channel tunnel, was blamed yesterday by Stena Line, the world's biggest ferry operator, for a 23 per cent increase in its losses in the first quarter.

However, Mr Bo Lerenius, Stena's chief executive, said the tunnel's share of the channel crossing market had been largely stable since mid-December, suggesting the big shift in traffic to the tunnel since it opened in 1995 could be slowing down.

"The extreme winter weather should have helped the tunnel to increase its traffic share during the period, but we didn't see it," Mr Lerenius said. "It could be a sign of the market coming into balance."

"We will see this summer whether they develop further or not. Of course, we will do everything we can to make sure that doesn't happen."

Stena, the second largest ferry operator on the Channel after Britain's P&O, said Eurotunnel's seizure of about 43 per cent of passenger traffic and a slightly larger share of freight traffic was the chief factor in an increase in Stena's first-quarter losses from SKr400m to SKr500m (\$74m). But Mr Lerenius said the levelling out of market share meant the result was "bang on budget".

On Monday, Eurotunnel announced first-quarter losses of \$226m (\$1.4bn), one of the largest deficits in UK corporate history. Mr Lerenius said Eurotunnel had "gone for volume", abandoning its initial strategy of charging premium prices. He acknowledged that the advent of the tunnel was likely to mean a shrinkage among the five ferry companies operating on channel routes. But he said even if the tunnel took 50 per cent of the traffic, there would be room for "at least" two other operators. Stena said it had increased its market shares on the Dover-Calais route - the route in closest competition with the tunnel - to 16 per cent for private cars and 18 per cent for freight. But it gave no more details of its performance, apart from saying its overall volumes around the UK remained unchanged from the same period last year. Mr Lerenius said Stena's overall ambition was to increase its full-year group profits after a tough 1995 when earnings slipped by more than half to SKr201m, mainly due to the opening of the Channel tunnel.

Regulator leaves intact Hongkong Telecom monopoly

By John Ridding and Louise Lucas in Hong Kong
Hong Kong's telecoms regulator announced plans to liberalise some areas of international services, but confirmed it would leave intact Hongkong Telecom's lucrative monopoly on international direct dial calls and leased-line voice services.

The measures eased uncertainty concerning the scope of liberalisation in the industry and were not seen as a threat to merger plans between British Telecommunications and Cable and Wireless, which controls Hongkong Telecom.

Rémy issues warning as cognac sales slip

By David Owen in Paris
Rémy Cointreau, the French drinks group, yesterday warned of a fall in profits but said its dividend would be maintained at last year's level.



Flagging spirits: Rémy Cointreau has been hit by a decline in sales of cognac

The company said profits for the year ending March 31 1996 would be slightly lower than 1994-95 because of a decline in cognac sales. This had more than offset the strong performance of a number of other products with narrower profit margins.

The market appeared to take the news in its stride and the company's shares rose FF5.30, or 3.7 per cent, to FF160.50. Analysts suggested that while the announcement was not positive, nor was it surprising.

Analysts said that while the Rémy brand with its strong position in China was "a great store of value", the company needed to put more product through its distribution system. Rémy yesterday announced three new distribution agreements in Asia and Europe. It said Rémy Japan had taken control of Barclay Japan, a leading importer of fine wines. Lex, Page 14

BT's rationale for wanting Hongkong Telecom, said Mr Andrew Harrington, regional telecoms analyst at Salomon Brothers, Hongkong Telecom, which is 57.5 per cent owned by C&W and which contributes the bulk of C&W's profits, is one of the main attractions for BT in a merger.

Mr Arena said the areas concerned were fast growing markets, but for the moment the most significant move concerned the liberalisation measures in fax and data services. These markets accounted for almost 20 per cent

of international call minutes. Analysts, however, said the impact of the move would be limited by the fact some international fax and data services were already open to competition. "Competition exists on value-added fax and data services," said Mr Dylan Tinker, telecoms analyst at Jardine Fleming, referring to services which include the storage and forwarding of fax communications.

Revenues edged ahead to FF6.5bn in its last financial year - a gain of just 1.2 per cent, or 5.2 per cent at constant exchange rates. Net profits for the year ended March 31 1995, totalled FF276m

Revenues for the quarter were \$3.82bn, up 4 per cent from \$3.47bn in the same period last year. Adjusted for divestments, total revenues from ongoing businesses grew 9 per cent.

Product revenues were up 5 per cent in the quarter to \$2.06bn from \$1.96bn in the third quarter of the previous year. Service revenues increased 4 per cent to \$1.56bn from \$1.51bn. Demand was strong in most product areas, said Mr Vincent Mullarkey, chief financial officer. Sales of Alpha systems, high performance servers and workstations, grew 60 per cent. Sales of systems running the Microsoft Windows NT operating system jumped 115 per cent, he added.

Digital shares jump on 68% income rise

By Louise Kehoe in San Francisco
Digital Equipment's share price rose sharply yesterday after the US computer maker reported a 68 per cent jump in net income for its third fiscal quarter. Earnings were up despite a slump in personal computer sales.

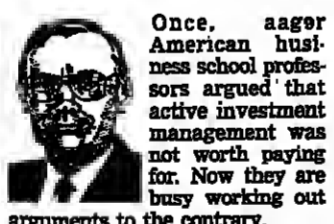
Digital was trading at 80% in mid-session, up almost 10 per cent from Monday's 85% close. Digital said its results, in line with expectations, represented "another proof point" of a turnaround after several years of heavy losses.

"The company has now produced six consecutive quarters of improving profits on a year-over-year basis," said Mr Robert Palmer, chairman and chief executive. Net income for the quarter was \$124m, or 74 cents a share, the highest third-quarter earnings in six years. In the same period last year, Digital earned \$74m or 44 cents a share.

Revenues for the quarter were \$3.47bn in the same period last year. Adjusted for divestments, total revenues from ongoing businesses grew 9 per cent. Product revenues were up 5 per cent in the quarter to \$2.06bn from \$1.96bn in the third quarter of the previous year. Service revenues increased 4 per cent to \$1.56bn from \$1.51bn.

Barry Riley

Tracking the smart money in US mutual funds



Once, a sage American business school professor argued that active investment management was not worth paying for. Now they are busy working out arguments to the contrary.

Just how much the typical US stock mutual fund trade by has been meticulously calculated on the basis of 10 years of monthly figures by Martin Gruber, chairman of the finance department at New York University's Stern School of Business. His paper will be published in July's *Journal of Finance*.

He has looked only at standard common stock funds. On a crude basis they underperformed the market by 1.94 per cent a year. However, Professor Gruber has applied a more sophisticated risk-adjusted four-index performance model which corrects for the exposure of funds to non-S&P 500 investments such as bonds and small capitalisation stocks.

On this basis, leaving aside quibbles about whether managers should quite so easily escape blame for the consequences of such departures from the implied benchmark, the annualised underperformance is just 0.65 per cent. Yet, in the US at any rate, it is possible to buy index funds that track the market accurately and cost just 22 basis points. So Prof Gruber poses the question: are investors being irrational in buying actively-managed funds at all?

The index-tracking alternative has become increasingly popular. In the 10 years ending 1994 covered by the study, the number of S&P 500 index funds grew from 6 to 44. Moreover, Prof Gruber finds that their rebalancing costs are impressively low.

So why look any further? We could assume that the continued existence, and in fact healthy growth, of active funds reflects the ignorance of investors and their susceptibility to cunning marketing techniques. Maybe this is a distortion generated by commission-hungry brokers who must pretend that they have fund selection skills worth paying for.

Are investors being irrational in buying actively-managed funds?

Doggedly, however, Prof Gruber pursues the possibility that some investors, at least, are rational. He reasons that if investors are successfully pursuing performance it should be reflected in the cash flows into good funds and out of bad ones. There should be detectable per-

sistence of performance. Indeed, he finds some significant results. There is a clear correlation between cash inflow and outflow and previous outperformance or underperformance, respectively. It is not surprising to find that investors are influenced by past performance. But

though depending greatly on assumptions about the frequency of switching. The effect, certainly, can only work for no-load funds, and could not possibly pay for front-end loads.

Prof Gruber's interpretation is that there is an active minority of mutual fund investors who do generate extra performance by chasing funds which appear to be "hot" (and selling those which disappoint). Because mutual funds always sell at asset value there is no extra price to be paid for successful management; in fact the annual fees on the good funds are, if anything, lower than on laggards, Prof Gruber finds.

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COMPANIES AND FINANCE: EUROPE

Bouygues restates 1995 loss at FF2.9bn

By Andrew Jack and David Owen in Paris

Bouygues, the French construction group, yesterday re-issued its 1995 results, adjusted by more than FF1.1bn, in a highly unusual move triggered by pressure from the government's accountancy regulator.

reduces its loss for the year from more than FF4.4bn to FF2.9bn (\$568m), against net income of FF7.57bn in 1994. The move followed a board meeting yesterday at which the group's directors resolved to follow the advice given by the CNC, the state-backed national accountancy council, that the provisions did not conform with accounting norms.

meat costs of the telephone network up to 1998. It added that its auditors included a former head of the CNC. The write-offs covered Bouygues' paging operations, but mainly represented the costs of FF7.5 per cent-owned Bouygues Telecom, which will operate the third mobile telephone network authorised in France, set to be launched on May 29.

Bouygues said it believed the previous results reflected more fairly the "economic reality" of its business, but it had decided to make the modification to conform with the CNC's recommendation and in the interests of "prudence".

number of initiatives to stress the importance of improved financial reporting by companies. Bouygues originally reported losses for 1995 of FF4.4bn - a figure that took into account FF1.4bn of provisions for its property and industrial holding businesses as well as telecoms.

KHD sees cut in losses despite falling sales

By Michael Lindemann in Cologne

Kirkner-Humboldt-Deutz (KHD), the German company which almost collapsed last year, yesterday said sales and new orders had fallen in the first quarter but that it still hoped to report a net loss of DM48m (\$31.65m), less than the DM50m forecast last year.

book a large plant contract in the second quarter and that higher motor sales were likely this year because a range of water-cooled KHD engines were quieter and had lower emissions than those produced by competitors such as Perkins of the US.

He said sales in the US had risen by 20 per cent in the first quarter and that KHD expected to make significant inroads in Asia where its leading competitors are not well represented. However, he admitted that KHD's costs were, in dollar terms, about 15 per cent higher than those of competitors following a round of wage increases of about 10 per cent last year and the rise of the D-Mark against the dollar.

KHD stood to benefit from exchange rate movements since profit forecasts for this year were based on an exchange rate DML40 to the dollar. The dollar yesterday stood at DML51. KHD also expects to save about DM170m through a range of measures designed to speed up delivery times and reduce the cost of components.

RTL initial results point to strongest year to date

By Frederick Stühmann in Berlin

RTL, Germany's largest commercial television network, recorded a turnover in 1995 of DM2.57bn (\$1.89bn) and net advertising revenues of DM1.96bn, making last year the most successful in its history.

The MCA rights deal concerns the extension of an existing deal between RTL and the US company which gives the German network access to MCA television programmes until the end of 1997. The cost of extending the deal is put by industry analysts at DM1bn.

RTL is jointly owned by the Bertelsmann subsidiary Ufa and CLT of Luxembourg, which recently announced plans to merge.

If the deal is completed, it will be the latest significant rights and distribution transaction in Germany's highly competitive commercial TV market, which is broadly split between Bertelsmann and the Munich-based Kirch Group. In recent months both sides have concluded a flurry of deals aimed at securing a dominant position in the emerging German pay-TV market.

Spain's most profitable bank group ahead in first quarter

By Tom Burns in Madrid

Banco Popular underlined its status as Spain's most capitalised and profitable banking group yesterday when it posted first-quarter net attributable income of Ptas4.4bn (\$14m), a rise of 5.9 per cent against the first three months of last year.

The results were accompanied by the announcement of new proposals aimed at a possible reduction of Popular's capital that will be put to shareholders at the group's annual general meeting.

a trend which can have negative effect on net lenders on the interbank market such as Popular, the group posted a robust 7.8 per cent year-on-year increase in net interest income, to Ptas4.4bn.

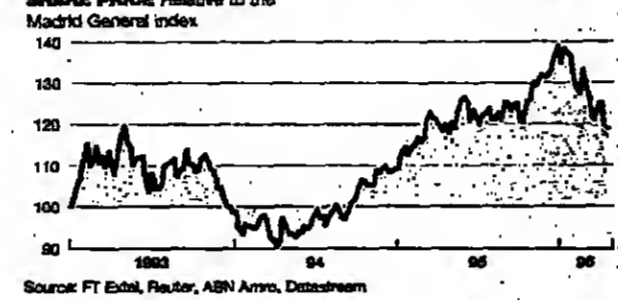
Popular said its board would today approve proposals to boost the group's balance sheet. The proposals include the possibility of reducing the group's capital and/or the par

value of its outstanding shares, as well as authorisation to issue debentures or similar securities in order to substitute, if required, the group's capital base.

Popular is the smallest of the big domestic banking groups, and by announcing a possible capital reduction it has signalled that it will not join in

PROFILE BANCO POPULAR

Table with columns for years 1993, 1994, 1995, 1996, 1997 and rows for Turnover, Net Income, Earnings per share, Dividend per share.



Source: FT Econ, Reuters, ABN Amro,DataStream

any realignment of the domestic financial sector. In contrast Banco Santander and Banco Bilbao Vizcaya, Spain's two

Autoliv shares jump on strong quarter

By Hugh Carnegie in Stockholm

A surprisingly strong first quarter performance fuelled yesterday's 8 per cent jump in the shares of Autoliv, one of the world's leading car airbag and seatbelt suppliers.

The Swedish group's shares rose SKr26 to close at SKr35 to give a return close to Mr Gunnar Bark, who was in his last day as chief executive. He reported that pre-tax profits in the first three months had risen more than 20 per cent from SKr247m in the same period last year to SKr300m (\$44.7m). Some analysts had predicted a fall in profits.

VW cautions despite surge

By John Griffiths

Shares in Volkswagen, Europe's largest carmaker, yesterday rose DM6.75 to close at DM154.75 after the company posted one of the best first quarters in its history.

Nevertheless, brokers appeared disappointed by Volkswagen's continuing deep caution about its full-year prospects, against the background of 1995's net profit, which was more than double to DM35m on sales only 10 per cent higher at DM85m.

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Mr Bark, who hands over today to Frenchman Mr Paul Charley, said Autoliv had benefited from stronger than expected car production levels

in Europe, the group's biggest market. Car production had reached the same levels in the first quarter as during the same period last year instead of the reduction Autoliv had anticipated.

This helped sales rise 9 per cent from SKr2.7bn to SKr3bn. The increased volumes, combined with gains from more efficient production techniques and cost cutting had produced the stronger profits, Mr Bark said.

Sales of airbags during the first quarter rose 11 per cent to SKr1.4bn, while of seatbelts and associated components sales were up 7 per cent at SKr1.6bn. Both increases were boosted by exchange rate developments.

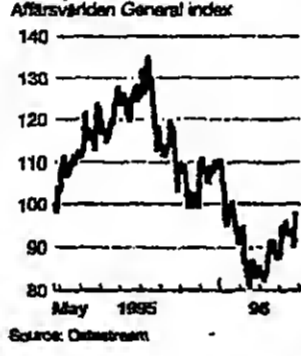
Autoliv, which has around 20 per cent of the world market for airbags and seatbelts, was

spun off from Electrolux, the household appliance maker, in 1994, becoming one of the hottest stocks on the Stockholm bourse. Its core markets are in Europe where its customers include Renault, Ford, BMW, Volvo and Saab.

The group has made several acquisitions to complement organic growth. It said yesterday it had increased its share in the French steering wheel manufacturer Isodelta from 49 per cent to 77 per cent. Isodelta will be treated in future as a subsidiary. The move is part of Autoliv's strategy of increasing vertical integration - driver's airbags are installed in steering wheels.

Mr Bark said he saw a doubling of global frontal airbag sales by the year 2000 to 40m. He said the more recently developed side-airbags could

Autoliv



Source: DataStream

grow even faster, from a few hundred thousand in 1995 to 30m.

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Nevertheless, brokers appeared disappointed by Volkswagen's continuing deep caution about its full-year prospects, against the background of 1995's net profit, which was more than double to DM35m on sales only 10 per cent higher at DM85m.

At the operating level, however, profits were down last year compared with 1994. Mr Piëch has acknowledged that current return on turnover is "unsatisfactory".

Anglo American Platinum Corporation Limited (Amplats), Rustenburg Platinum Holdings Limited (Rustenburg), Potgietersrust Platinum Limited (PP Rust). Results of capitalisation share awards and rights of election to receive interim cash dividends.

The rights of election to receive interim cash dividends instead of the awards of capitalisation shares were made to shareholders registered at the close of business on Friday, 15 March 1996. Details relating to each company are set out below. The new shares will be listed on The Johannesburg Stock Exchange from the commencement of business on Wednesday, 24 April 1996 and, where applicable, on the London Stock Exchange as soon as practicable.

Capitalisation shares were awarded on the basis of 2,503,630 shares for every 100 existing shares held. Elections were received for an interim cash dividend in respect of 43,554,128 shares. Accordingly, the interim dividend of 56 cents per share has been declared on those shares and 3,198,425 new shares have been allotted in terms of the capitalisation share award.

Capitalisation shares were awarded on the basis of 1,164,413 shares for every 100 existing shares held. Elections were received for an interim cash dividend in respect of 9,953,016 shares. Accordingly, the interim dividend of 76 cents per share has been declared on those shares and 1,370,157 new shares have been allotted in terms of the capitalisation share award.

Capitalisation shares were awarded on the basis of 1,668,783 shares for every 100 existing shares held. Elections were received for an interim cash dividend in respect of 19,064,303 shares. Accordingly the interim dividend of 38 cents per share has been declared on those shares and 1,762,483 new shares have been allotted in terms of the capitalisation share award.

Johannesburg 30 April 1996

KVÆRNER Notice of general meeting. The annual general meeting of Kværner ASA will be held at 1400 on Friday 10 May 1996 in Kværner's offices at Hoffsvælen 1, Oslo. Agenda includes report by the group president, consideration of profit and loss account for 1995, and a proposal to increase share capital.

JCI Limited and H.J. Joel. Summary of quarterly reports for quarter ended 31 March 1996. Tables showing financial data for Randfontein Estates and Western Areas.

Handwritten Arabic text: كسبنا من الاموال

150 من الالصل

COMPANIES AND FINANCE: EUROPE

NEWS DIGEST

Hersant deputy to head Socpresse

Mr Yves de Chaisemartin, long-standing deputy to Robert Hersant, the French media magnate who died on Sunday, is to take charge of Socpresse, the holding company which controls Le Figaro, Mr de Chaisemartin, 47, who trained as a lawyer, got to know Hersant in the late 1970s, later joining the group and taking charge of legal affairs and large transactions, where his position became increasingly powerful. Socpresse said the appointment was in accordance with Hersant's wishes.

Speaking on French radio yesterday, Mr de Chaisemartin rejected suggestions that the Hersant group - which is reported to be suffering from heavy debts - would be broken up. He said many claims of the business's difficulties were exaggerated, and stressed he would be fighting for the group to remain independent. He added he had "a certain number of ideas" to deal with the financial problems facing the French press over the past few years.

Andrew Jack, Paris

Hypo-Bank operating result up

Hypo-Bank, the German bank, announced a 30.5 per cent rise in operating results before risk provisions in the first quarter of 1996, to DM699.5m (\$423m). Mr Eberhard Martini, chairman, said there was also a 13.5 per cent increase in net interest income to DM1.46bn while net commission income rose 14.1 per cent to DM228.1m. The net profit from financial operations in the first three months rose 23.4 per cent to DM43.5m. Administrative expenses increased 1.5 per cent to DM908.6m, of which staff costs were DM487.2m. Mr Martini ruled out a capital increase in 1996.

Frederick Stüdemann, Berlin

SBC in deal on StanChart unit

Swiss Bank Corporation yesterday agreed in principle to acquire Standard Chartered's private banking business for an undisclosed price which analysts expected would be in excess of \$100m (\$151m). The private banking business has a strong position in the Asian market, with more than 4,000 wealthy clients and assets under management of more than \$5bn. Its contribution last year to Standard Chartered's pre-tax profits is estimated at close to \$15m.

Standard Chartered said the disposal was part of its strategy of focusing on its main activities. It has already sold its fund management, trust and securities businesses.

SBC also announced the acquisition of a private client portfolio with \$1bn of capital under management, from Chase Manhattan Private Bank. SBC has been expanding its considerable private banking operations, and seeking to increase the proportion of funds managed outside Switzerland. The bank told analysts recently it would consider acquisitions in this area. Standard Chartered's private banking operations employ 240 people in Hong Kong, Singapore, Geneva, Jersey, Taiwan, Vancouver and Dubai.

George Graham, Banking Correspondent

Cable venture opens credit line

Philips Communication and its joint venture partner, the US cable television group United International, have arranged a \$300m credit facility from a consortium of banks led by ABN Amro. The venture, UPC, will use the funds to expand the European cable operations, which service 3.2m customers in 14 countries.

David Brown, Amsterdam

Cost cuts lift Esselte pre-tax

Lower costs helped Esselte, the Swedish office products group, report a 15 per cent increase in pre-tax profits from SKr1.65bn to SKr1.90bn (\$28.3m) in the first quarter of the year despite the negative effect of a stronger Swedish krona and a fall in sales. The company, best known for its Dymo labelling products, said it expected full-year profits would exceed last year's SKr592m, but would not grow as fast as the 43 per cent rise in 1995. Sales in the first quarter fell from SKr3.2bn to SKr3.02bn, but Esselte said there was an underlying rise of 1.5 per cent when exchange rate differences were ironed out.

Hugh Carnegy, Stockholm

Wintershall boosts turnover

Wintershall, the oil and gas subsidiary of German chemical company BASF, announced a 6 per cent increase in group turnover in 1995 to DM4.6bn (\$3.08bn). Pre-tax profits were down slightly to DM306m. The company said oil output rose 10 per cent last year to 6.1m tonnes, while gas production was 2.1bn cubic metres, a fall of 100m cubic metres.

A series of joint-ventures and co-operation deals with the Russian gas company Gazprom were instrumental in lifting group turnover in 1995, Wintershall said. These included the development of a gas field on the Jamal peninsula in Siberia where, according to Gazprom estimates, there are reserves of 10,000bn cubic metres of natural gas.

Wintershall said it expected oil output to rise to more than 7m tonnes in 1996 and gas output to increase to 2.5bn cubic metres, with the development of new oil and gas fields in Europe and north Africa. These include the North Sea gas field Windermere, in which Wintershall holds a 60 per cent stake.

Frederick Stüdemann

Institutions buy Romanian stake

Ervia, a leading private Romanian company, has raised \$10m in one of the country's first institutional private placements. The placement, which involved 18 institutional investors in the US, UK and France, represents about 25 per cent of the company. It was arranged by Société Générale, one of the few western banks with an office in Bucharest, together with Intervam, a local broker. A further stake of about 15 per cent has been sold locally.

Virginia Marsh, Budapest

Van Leer offer range set

The offer price in the flotation of Van Leer, the Dutch packaging group, was yesterday set at between Ft 23 and Ft 32 per share. The lead manager, ABN Amro bank, said a maximum of 16.9m shares would be offered via a public offering in the Netherlands and through private placements abroad. The remainder would consist of existing shares held by the owners or purchased for further placement by ABN Amro. Subscriptions are open until May 2.

David Brown, Amsterdam

Sandoz investors back merger

Sandoz, the Swiss biotechnology group, said 99.6 per cent of shareholders at its extraordinary general meeting yesterday approved its proposal to merge with Ciba.

AFX News, Basle

Linotype-Hell in DM74.7m loss

Linotype-Hell, the German pre-press company, planned to reduce losses drastically during the current year after sustaining a net loss of DM74.7m (\$49.3m) in 1995. It said it would achieve this by expanding its distribution network and winning new customers via the launch of lower cost products. That, combined with the cost-cutting programme launched last autumn, would lead to a sharp narrowing of last year's losses, the company said.

AFX News, Eschborn

Enichem slips in first quarter

Enichem, the Italian chemicals group, said its operating profit in the three months to March was L220bn (\$1.42bn), 24 per cent lower than a year earlier. Earlier, Enichem said that its first quarter sales fell 14 per cent to 2,960bn.

AFX News, Milan

Atlas Copco increases sales

Atlas Copco, the Swedish engineering company, said sales in the three months to March 31 were SKr6.094bn (\$899m), up 7 per cent from a year earlier. New orders were SKr6.657bn, up 8 per cent. Based on a comparable structure and exchange rates, volumes were unchanged.

AFX News, Stockholm

German executives discover a nice little extra

Moves towards share options for top managers are likely to provoke controversy, writes Wolfgang Münchau

Having preached the virtues of social responsibility for decades, German companies have discovered shareholder value. Their own-found enthusiasm might suggest that they invented the concept.

Many companies are considering options which not long ago they would have treated with contempt. BASF, the chemicals group, wants to be able to buy back its own shares, a practice not allowed under German law. Several companies, including Daimler-Benz and Vebe, have adopted US accounting rules to woo international investors and provide more transparency.

German accounts give fewer details than US accounts and allow companies to value some of their assets more conservatively. They are aimed more at the creditor than the investor, reflecting Germany's different capital market structure.

But perhaps the most significant illustration of the cultural upheaval taking place in German boardrooms is the rush towards executive share options. The purpose of executive share options is to reward managers and to ensure shareholders and managers have the same interests.

Continental, the tyre company, and BHF-Bank have run

small-scale option schemes for some time. But the issue touched a sensitive nerve only when it became known that Daimler-Benz and Deutsche Bank, Germany's best-known industrial group and its best-known bank, had decided to introduce executive share options for top management.

When Daimler and Deutsche Bank set a trend, others are likely to follow. Mr Ron Sommer, Deutsche Telekom chairman, said he also wanted share options, and observed that without them German managers had "zero interest in taking risks". An official at Deutsche Bank said: "If we want to have an international management, we must also have international salary packages."

Siemens, the electronics group, has also discussed the matter. However, not all are happy about German executives' enthusiasm for share options. Trade unions are just discovering their potential danger.

Mr Bernhard Wirtl, a senior official at IG Metall, the metal workers' union, said at an internal meeting at Daimler-Benz recently that share options may run counter to a trade union's interest because they change the company's corporate objectives - and could mean job cuts. The Daimler-Benz supervisory



ROGER BEHRE

board decided to force the issue and won by 11 votes to nine, a rare case of a controversial policy being introduced on a contested vote. The move was opposed by nine of the 10

employee representatives (the one who voted yes was the chairman of the company's work council). Those opposed included Mr Klaus Zwickel, president of IG

Metal and Germany's most prominent trade unionist, who argued that share options would make the management focus too much on share price. This has never been denied by those in favour - the vote simply reflects that the two sides pursue different interests.

A movement towards Anglo-Saxon habits is perceptible, but it is still slow and certainly not prevalent. Daimler-Benz may have introduced share options, but the basic salary of Mr Jürgen Schrempf, the company's chairman, is set to stay higher than the basic packages earned by his leading US counterparts.

As one observer at a US bank noted: "It is strange that while everybody introduces executive share options, the basic salary packages are not coming down. For the Germans, share options seem to be just a nice little extra."

At Daimler-Benz, the value of the options will remain a fraction of the basic salary, unless the share price rises considerably.

Yet there appears to be wide agreement that German companies are finally abandoning cosy corporatism in exchange for the unknown quantity of shareholder value, even though not everybody understands its significance.

The divided vote on Daimler-Benz's supervisory board has shown that there is no consensus in Germany about the notion of shareholder value as it is widely understood in the US or the UK. Once German trade unions fully realise the implications of the shift from a fixed to a variable structure of executive pay, opposition is likely to mount - especially when well-known executives, such as Mr Schrempf of Daimler-Benz or Mr Hilmar Kopper of Deutsche Bank, start receiving multi-million D-Mark pay packages.

In a country where pay differentials between top managers and assembly line workers are among the lowest in the world, two outcomes are likely: either the option element of the pay package will remain small and thus symbolic, in which case there is no real change; or, if the package is substantial, the relationship between industry and trade unions may become more confrontational, especially when the same managers lay off thousands of employees.

By giving way to heavy pressure from its investors, Daimler-Benz has chosen to risk controversy. Not every German company will do likewise.

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COMPANIES AND FINANCE: ASIA-PACIFIC/INTERNATIONAL

Bimantara Citra doubles year's profits

By Manuela Saragosa in Jakarta

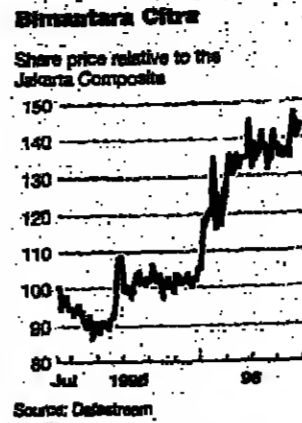
Bimantara Citra, the Indonesian holding company controlled by President Suharto's second son, reported 1995 net profit more than doubled on the previous year, exceeding its forecasts.

Net profit rose from Rp64.9bn to Rp117.8bn (\$60.8m) on turnover up from Rp644.4bn to Rp702.2bn. Bimantara had been indicating it would report net profit of Rp111bn for 1995 and is predicting net income of Rp158bn-Rp160bn this year, representing growth of about 35 per cent.

However, analysts believe Satelindo, which competes with the state-controlled Indosat in providing international direct dial telephone services, is among the units which helped drive Bimantara Citra's earnings higher. Bimantara Citra has a 9 per cent stake in Satelindo - which is expected to report profit of Rp25bn for last year - through one of its holding units.

Analysts also say Rajawali Citra Televisi Indonesia, a nationwide television station in which Bimantara Citra holds a 70 per cent stake, made Rp57.9bn in net profit in 1995. While the company's broadcasting and telecoms units are expected to continue to play a significant role in driving earnings higher this year, it is the automotive division that is likely to receive most attention.

Indonesia's minister for trade and industry has said another "national" car would overcrowd the market. Nevertheless, Mr Bambang said earlier this month that Bimantara Citra would go ahead and produce a "national" car together with South Korea's Hyundai Motors, even though he has not received the same concessions as his brother.



NEWS DIGEST

China to resume bond futures trading

China plans to allow the resumption of bond futures trading after suspending such trading last May following a scandal on the Shanghai stock exchange, in which one of the country's largest securities firms sought to manipulate the market. Shanghai's official Wenhui Daily newspaper quoted Mr Yang Xianghai, president of the Shanghai bourse, as saying the resumption of bond futures trading was part of a "series of steps to lay a firm foundation for the exchange's expansion".

The move coincides with the beginning of a pilot open market scheme in treasury bills under the auspices of the People's Bank of China, the central bank, and also plans to consolidate Shanghai's position as a bond re-purchase centre. Attempts to revitalise Shanghai's financial markets follow several years of doldrums caused by lack of investor confidence, a poor regulatory record and a credit squeeze.

Mr Yang recently told a conference of representatives of companies listed on the Shanghai stock exchange that the exchange would encourage the issue of more B-shares, which are denominated in US dollars, and offer foreign companies secondary listings. Companies issuing A-shares, which are targeted at domestic investors, would have "new trading products" such as convertible bonds and warrants.

Convertible bonds, which carry the option of being converted into shares, are likely to prove popular on Chinese markets. Tony Walker, Beijing

NZ Telecom in multimedia buy

Telecom NZ, the Wellington-based telecoms group, has acquired DVP, a privately-owned multimedia company based in Brisbane, for an undisclosed sum. The company, which currently employs around 40 people, is involved in interactive television, CD-Rom, CD video and applications of the Internet for corporate and government organisations, including as training programmes.

Telecom NZ, which is already heavily involved in providing mobile services in Australia through its Pacific Star unit, said that the acquisition of DVP was part of its strategy to develop new media, Internet and telecommunication markets. Telecom's Pacific Star Communications subsidiary had revenues of around NZ\$148m (US\$101.5m) in 1994-95. Nikki Tsui, Sydney

Advice on goodwill from ASC

The Australian Securities Commission, the industry watchdog, said yesterday that it would release next month an "issues paper" on the vexed question of how bidders for mining companies should treat goodwill arising as a result of the acquisition. The issue has become contentious over the past six months, with a number of bidders trying to avoid having to amortise - or progressively write off - the large amounts of goodwill which usually arise in such deals.

Memtec, the listed Australian filtration company, is to pay US\$62m for Seitz Filter Werke, a leading German producer of filter media for the food and beverage industries. Seitz's sales were about US\$37m last year, and it has two manufacturing sites in Germany. Nikki Tsui

Sasol enjoys legacy of South Africa's former isolation

The phasing out of protectionist measures in the country will hardly affect the synthetic fuel producer, writes Mark Ashurst

South African business historians should reserve a chapter for Sasol, the synthetic fuels producer, in their account of the transition from apartheid pariah to a modern economy. Created as a strategic energy source in anticipation of the oil boycott, this bastion of Afrikaner economic muscle has emerged unscathed from the upheaval. The current government's commitment to winding down the protectionist measures that bolstered local industry during isolation has brought widespread liberalisation of the liquid fuel industry - but none of the measures will threaten Sasol's dominant position.

On the contrary, the government has identified it as a potential supplier of feedstock for a downstream petrochemicals industry which could create 150,000 new jobs. Paradoxically, Sasol's static share price reflects investors' confidence. When the rand plunged earlier this year, shares rallied for comparable companies whose products are priced in dollars but whose costs are local and payable in rand. Yet Sasol, which is unique among South Africa's seven oil refining companies in manufacturing its fuel from coal, held steady. "Institutions are generally overweighted in Sasol, which has excellent long-term growth prospects," says one analyst. Late last year, the cabinet approved plans to phase out Sasol's annual R1.1bn (\$258m) government subsidy by 1997. Although the decision will cost Sasol about R3.4bn by 2000, the stock has continued to trade at about double net asset value. Restrictions on imports of crude oil by private oil companies have also been lifted, in effect legalising competition in a market where the biggest importers routinely undercut the ruling barrel price during the sanctions era.

This has lessened the role of the state-owned Central Energy Fund, which manages the national oil reserves, sets wholesale and retail prices, and collects a levy of 9.4 cents per litre on forecourt fuel sales to finance synthetic fuel subsidies for Sasol and Mossagas, the state-owned natural gas refinery. According to Mr Kobus Van Zyl, CEF general manager, the creation of an independent liquid fuels regulator may also be in the pipeline. "There is a lot of background music that plays that tune. If you talk to civil servants of standing, there is clearly support for the idea," he said. The easing of regulation has not, however, placated Sasol's crude oil-importing competitors. South Africa has the highest concentration of oil companies in the world by market size, largely because of generous price control mechanisms. Importing companies are legally bound to take up 100 per cent of Sasol's synthetic fuel output, buying in direct proportion to their market share. "We have a lot of companies, but no competition," notes one senior civil servant involved in the restructuring of an industry that includes BP Southern Africa, Caltex Oil (formerly owned by Chevron of France), Engen Petroleum (prior to sanctions, an arm of General Mining, now Mobil), Shell South Africa (the divested subsidiary of Royal Dutch Shell), Total South Africa, and Zenex Oil (previously owned by Exxon).

Sasol's barrel price is set on a par with that of imported crude, and underwritten by a sliding subsidy calculated on the basis of the imported barrel price. Oil company profits are also fixed by the CEF, which prescribes retail prices, including guaranteed margins, for both the wholesale company and retail petrol stations. Notwithstanding their pleas for deregulation and the abolition of price controls, the six importer-refiners agree the mandatory take-up of Sasol products should continue. But they are fiercely opposed to the phased abolition of the Sasol subsidy, a policy which Mr Colin McClelland, director of the South African Petroleum Industries Association, argues is at odds with the creation of "an equitable, efficient and internationally competitive dispensation. There is no justification for Sasol's already healthy profits to be boosted by taxpayer subsidies." Dr Paul Jourdan, advisor to trade and industry minister Mr Trevor Manuel, counters that the phasing-down period gives the government time to develop its vision of a downstream petrochemicals industry - a sector where import prices are high. He notes that Sasol, which was state-funded prior to its listing in 1979, enjoys an international comparative advantage at "the very capital intensive stages of chemicals manufacture". Sasol will be encouraged to increase its output of petrochemical feedstocks to a downstream chemicals sector at export-parity prices. "We have our main lever this year," says Mr Jourdan, who is working on changes to the protection system, which may include incentives for Sasol to invest outside mainstream synthetic fuels production - a carrot to complement the subsidy reductions. Smith Barney in New York estimates the phase-out will cost the group between R265m and R320m in fiscal 1997 and 1998 respectively. With South Africa's liquid fuels requirement growing by about 1.5 times GDP growth, and likely to exceed existing capacity by 2000, the extent of the government's ambition for



A Sasol inspector checks pastilised hard wax for quality

Sasol cannot obscure the attraction of this market for traditional oil companies. Mr Jacques Piccard, energy analyst at Smith-Barney Bare, says the importing companies are set to invest in a third crude oil refinery but are wary of the current deregulation process.

Intel, Sharp boost flash technology

By Michio Nakamoto in Tokyo

Intel of the US, the world's largest semiconductor maker, and Sharp, the Japanese electronics company, have jointly produced advanced semiconductor technology that makes it possible to produce smaller flash memory chips. The two companies, which have been co-operating on the development of flash memory chips, said they jointly developed 0.4 micron processing technology that makes it possible to reduce the size of the chips by 44 per cent. Flash memory chips, which can hold data even when the power is turned off, are used mainly in portable applications such as cellular phones and personal digital assistants.

The new technology is expected to expand applications of flash memory chips - a \$1.9bn market in 1993, which is forecast to grow to \$7.9bn in 1999. Although flash has not lived up to initial expectations that it would replace the hard disc drives used to record data in PCs, or dynamic random access memory chips, which are the commodity memory devices, the two companies are confident about the future growth of the market. "We think it's going to be a big market, and we want to continue to have number one market share," said Mr William Howe, vice-president of Intel. For example, flash memory can be used to record audio messages on a single chip, which eliminates the need to re-wind an audio cassette tape, and can be transferred to the PC or other IT equipment, Mr Howe said. The latest development strengthens the co-operative relationship between Intel and Sharp, which agreed an alliance in flash memory chips in the early 1990s. Under the agreement, the two sides had co-operated in the development of flash memory although pro-

duction of the chips has been carried out individually. Together, Intel and Sharp have about 45 per cent of the market, according to Dataquest, the consultancy. Intel has announced plans to invest \$1bn in a new facility in Israel dedicated to flash memory chip production, while Sharp is investing a similar amount in a new line it is building in Japan. AMD, another US semiconductor maker, and Fujitsu of Japan, also have an alliance covering flash memories, while Hitachi and Mitsubishi Electric are working together to develop advanced flash technology.

JCI bucks trend as profits fall 3.4%

By Mark Ashurst in Johannesburg

The run of sharply increased quarterly profits from South African gold mines ended yesterday as JCI posted a 3.4 per cent drop in after-tax profit for the March quarter to R77.1m (\$18.1m), compared with R79.8m in the previous quarter. A sharp fall in production and a decline in the average yield at Randfontein mine was offset by a 6.1 per cent rise in the gold price, but revenue remained flat at R522.3m against R523.5m. Analysts were disappointed by the performance, and said that the actual decline was

masked by the higher bullion price. "They have put their heads on the block to promise better results next quarter, but the factors that explain this decline are not unique to JCI and the market will not be sympathetic," said one. Tonnage milled at Randfontein was flat at 1.8m tons, but total gold output fell to 5,224kg from 5,573kg as the Christmas holidays disrupted production. While other mining groups had compensated for the loss in working days by mining richer ore bodies and accepting a decline in tonnage, Randfontein was becoming a low

grade mine, analysts said. "The expansion into high grade ore on the South Reef is still some way off, and until then Randfontein is bound to disappoint," said one. A rights issue at HJ Joel had raised about R400m to fund capital expenditure, and was 56 per cent subscribed. But lower gold production, a higher interest bill on outstanding debt and higher working costs resulted in an after-tax loss of R5.5m against a profit of R1.1m in the previous term. Analysts were surprised by the loss, which came in the wake of ambitious plans for the mine unveiled in the run-up to the rights issue.

However, the decision to sell forward all production at Western Areas mine until 2004 had not compromised the gain from higher bullion prices. The average gold price received at the mine was R49,182 against R46,378. "It is a very flexible hedge with lots of upside potential. That is the best price of anyone in the industry," said Mr John Brownrigg, head of the gold division. Western Areas posted a 4.3 per cent rise in after-tax profit to R65.9m from R63.6m, or 63 cents a share against 59 cents. This was due largely to a 9.4 per cent improvement in pre-tax profit from gold to R49.6m from R44.6m.

AEGON N.V. registered in The Hague, The Netherlands. Shareholders are invited to attend the Annual General Meeting of Shareholders to be held at the AEGON headoffice, 50 Meriahoeveplein, The Hague, The Netherlands on Wednesday, 15 May, 1996 at 2.30 p.m. Agenda: 1. Call to Order and Opening. 2. Minutes. 3. Annual report and approval of the annual accounts and the final dividend for the 1995 financial year. 4. Information on the results of the first quarter of 1996. 5. Notification of the intended appointment of a member of the Executive Board. 6. Vacancies and (re)appointments with regard to the Supervisory Board as of 15 May 1996. 7. Vacancies in the Supervisory Board in 1997. 8. Designation and Authorization as respectively referred to in Article 5, paragraphs 1 up to and including 4, and Article 4, paragraph 16 of the Articles of Incorporation. 9. Announcements. 10. Questions and adjournment. The agenda with explanations, the annual accounts and the annual report for 1995 with the data required by law and the data and information required by law with respect to the candidates proposed for (re)appointment as members of the Supervisory Board are deposited for inspection from the time until the end of the Meeting at the Company's office in London and are available free of charge to any shareholder, upon request. Holders of shares to bearer or their proxies shall be admitted to the Meeting upon producing a voucher showing that their share certificates or their mandator's share certificates respectively have been lodged in the United Kingdom at the ABN AMRO Bank N.V. in London. The proxy shall produce his proxy statement. The lodging mentioned must have taken place on 9 May 1996 at the latest. The Executive Board. AEGON Insurance Group. The Hague, 24 April 1996 50 Meriahoeveplein

USINOR SACILOR Net dividend: FRF 4. The Board of Directors, meeting under the chairmanship of Mr Francis Mer on Thursday 16 April, reviewed the final consolidated accounts of the group and approved the accounts of Usinor Sacilor, the parent company, for the year 1995. The final consolidated accounts for 1995 confirm the preliminary figures released in February 1996. They disclose group net income of FRF 4.4 billion compared to FRF 1 billion for the year 1994. Net sales amounted to FRF 78.4 billion, an increase of 13.5% on the basis of the 1995 structure. Operating cash flow which, at FRF 6.1 billion, represented 10.3% of net sales compared to 7.2% in 1994, reflected by its level the improvement of the group's performance for the year 1995. Net financial debt, of FRF 11 billion at 31 December 1995, declined by FRF 6.3 billion compared to the position at the end of 1994. The debt/equity ratio, which was still close to 80% at the end of 1994, now stands at less than 40%. Usinor Sacilor, the parent company (including the Ugine division), had net income of FRF 1,671 million for the year. This cannot be compared to the net income of FRF 983 million reported for the year 1994 as the merger by absorption of Ugine s.a. by Usinor Sacilor which occurred in December 1995 was effective from 1 January 1995. The start of 1996 in Europe confirmed the continuation of heavy destocking by all industries and within distribution channels. Reflecting this situation, steel production in the European Union fell in the first quarter by 7.6% over the same period in 1995. It appears that destocking of steel products is at a more advanced stage in the north of Europe than in the south, where it should terminate by the end of the first half of the year. The United States maintained a reasonable level of activity and demand in total held up well in Asia. A recovery may occur in Europe in the autumn; but due to the outlook for the first half of the year, Usinor Sacilor does not expect to match its 1995 earnings. The Board will propose the Annual General Meeting the payment of a dividend of FRF 4 net per share, together with a tax credit of FRF 2 per share. The Combined General Meeting will be held at 10.30am on Friday 7 June 1996 in the Hotel Meridien Montparnasse, 19, rue du Commandant-Weygotte, 75014 Paris. Investor Relations tel.: (33-1) 4125.94.98. AEGON USINOR SACILOR

PolyGram DIVIDEND 1995. At the annual general meeting of shareholders of PolyGram N.V. held on 23 April 1996 a dividend in cash for the financial year 1995 has been declared of 0.95 Netherlands guilders per share on the company's outstanding common shares of 0.50 Netherlands guilders par value. The dividend for holders of bearer shares will be payable as of 8 May 1996. Holders of CF certificates are entitled to the dividend providing that they have deposited their dividend sheets by the CF closing date of 23 April 1996 with a custodian affiliated to the 'Centrum voor Fondsenadministratie B.V.'; payment is subject to deduction of 25 per cent Netherlands withholding tax. The dividend for shareholders on the company's register in Bearn as at 23 April 1996 will be wired on 8 May 1996 to the shareholders concerned, after deduction of 25 per cent Netherlands withholding tax. The dividend for shareholders on the company's register in New York as at 23 April 1996 will be payable on 10 May 1996. Shareholders will receive advice by mail regarding payment and withholding tax arrangements. Commonwealth Bank Australia. Commonwealth Bank of Australia ACN 123 123 124 (successor in law to the State Bank of Victoria). U.S. \$125,000,000 (Current amount outstanding U.S. \$100,000,000). Undated Capital Notes. For the six months 23rd April, 1996 to 23rd October, 1996 the Notes will carry an interest rate of 5.825% per annum with an interest amount of U.S. \$285.94 per U.S. \$10,000 Note and U.S. \$7,148.44 per U.S. \$250,000 Note. The relevant interest payment date will be 23rd October, 1996. Listed on the London Stock Exchange. Bankers Trust Company, London. Agent Bank

Handwritten Arabic text: كسبنا من الاموال

صكرا من الامم

COMPANIES AND FINANCE: THE AMERICAS

Telmex slides 25.3% at operating level

By Daniel Dombey in Mexico City
Teléfonos de México (Telmex), the country's largest private company and monopoly operator of long-distance telecommunications, suffered a 25.3 per cent fall in operating profits in the first quarter of 1996, as spending cuts failed to keep pace with falls to the company's revenues.

3.7bn pesos (\$502m), compared with 5bn pesos for the first quarter of 1995. Net profits surged to 3.5bn pesos from a loss of 561m pesos a year before, when Telmex had been badly affected by foreign exchange losses.

The company's operating margin stood at 25.4 per cent. Telmex linked the decline in sales to the fact that telephone charges lag behind the rate of inflation, despite a price increase at the beginning of the year that made up some of the ground.

A more inflationary environment in which technology becomes obsolete at a faster pace. However, the company made clear that while it was considering an imminent increase in domestic long-distance rates, it would maintain prices in real terms below the levels of before the 1994 devaluation of the peso.

Mr Cerezo thought Telmex's revenues would start to show year-on-year growth by the fourth quarter of his year, though he agreed that the company might lose 10 to 20 per cent market share in 1997.

Salomon surges to \$276m for first term

By Maggie Urry in New York

Salomon, the parent of the Salomon Brothers investment bank, recorded its third best quarter ever to the first three months of 1996, with net income up from \$81m in the same period of 1995 to \$276m. Earnings per share were ahead from 59 cents to \$2.21 fully diluted.

NEWS DIGEST

Nynex ahead 19% in first quarter

Nynex, the New York based telephone company which on Monday announced a \$51bn merger with Bell Atlantic, raised its first-quarter net income by 19 per cent before exceptional, to \$382m. It also announced a two-year pact with Sprint, the long-distance phone company, to attack US long-distance markets. Nynex said it would buy network, billing and marketing services from Sprint for long-distance calls in the US and overseas.

Revenues rose 6 per cent to \$3.5bn. Access lines grew 5 per cent, while minutes of use rose 11 per cent. The joint cellular venture with Bell Atlantic increased revenues by 30 per cent. Nynex CableComms, the UK cable-TV subsidiary, increased subscribers by 82 per cent. Earnings per share rose 15 per cent before exceptional gains to 83 cents.

Nynex said 960 employees had taken early retirement in the quarter, giving rise to a net charge of \$86.6m. Under a staff reduction plan initiated in 1994, between 17,000 and 18,000 employees are due to leave by 1998, giving rise to total net charges of \$1.3bn.

Bristol-Myers sharply up

Strong volume growth enabled Bristol-Myers, the US health and consumer products group, to report record first-quarter earnings, up from \$657m to \$726m, and from \$1.29 to \$1.44 a share. The group said sales volumes grew 12 per cent, while prices were stable, but unfavourable exchange rates cut 1 per cent from revenues. Revenues rose 11 per cent to \$3.7bn in the quarter.

Pharmaceutical sales rose 14 per cent, led by a 47 per cent increase in sales of Pravachol, a cholesterol-lowering drug, to \$235m and a 59 per cent rise in sales of Taxol, an anti-cancer agent, to \$200m. Consumer product sales rose 10 per cent while revenues from medical devices, such as replacement knee and hip joints, fell 3 per cent. Nutritional products, such as infant formula, increased sales by 16 per cent.

Although the earnings were at the top of forecasts, the shares retreated 3% to \$81 1/4 in early trading.

Monsanto below expectations

Weakness in global chemical prices and increased advertising in the food products division led Monsanto, the US chemicals conglomerate, to report disappointing first-quarter earnings yesterday. Earnings per share were \$2.17, compared with analysts' expectations closer to \$2.32 a share, but 7 per cent ahead of the \$2.02 per cent a share it earned in the same period last year. In early trading in New York, Monsanto shares dropped 3% to \$15 1/4.

Margins, however, improved for the company as net income rose 14 per cent to \$290m from \$229m on revenues that were nearly flat at \$2.2bn. Operating profits were mixed for Monsanto's four primary divisions.

Turner warns of write-offs

Turner Broadcasting warned that cash flow in its first quarter would be halved by write-offs due to poor box office returns at one of its film-making units, Castle Rock Entertainment. Turner is in the process of being taken over by Time Warner, subject to regulatory approval.

The company said write-offs would total \$60m. Operating cash flow in last year's first quarter was \$66m, down from \$108m the year before. Castle Rock, which makes low-budget films, was acquired in December 1993. Turner's shares fell 5% to \$27 1/4.

International tobacco lifts RJR Nabisco

By Richard Tomkins in New York

RJR Nabisco, the US tobacco and food group that last week defeated the corporate raider Mr Bennett LeBow in a proxy fight, yesterday reported another quarter of back-to-back growth to its underlying businesses, with international tobacco providing the nearest thing to a bright spot.

However, Mr Steven Goldstone, chief executive, said, he was confident that "based on what we've seen in the first

quarter, we can deliver on our commitment of a strong overall operating and earnings performance for the year."

Net income after preferred stock dividends rose 13 per cent to \$187m, and earnings per share were 18 per cent ahead at 87 cents, but special factors helped these bottom line figures. Operating profits rose only 3 per cent to \$64m.

As before, the results fell short of those reported by Philip Morris, RJR Nabisco's bigger and more successful rival. Last week Philip Morris

reported a 15 per cent increase in first quarter net income to \$1.6bn - nine times the figure reported by RJR Nabisco.

The best-performing part of RJR Nabisco's business was international tobacco, which lifted its contribution to operating profits from \$170m to \$197m, an increase of 10 per cent. The rise resulted from a 25 per cent growth in volume.

RJR Nabisco said volume in the former Soviet Union set a record for the region, and Asian markets continued to exceed expectations, but these

gains were partly offset by a small decline in western Europe.

In the US, RJR Nabisco's tobacco operations increased their contribution by just 3 per cent to \$38m. The company's flagship Camel brand increased volume by 9 per cent, but total full-price volume was only slightly ahead. Overall US volume fell slightly because of a decline in sales of the company's cheaper brands.

The group's Nabisco food operation, which reported separately on Monday, did less well

than the tobacco business. Operating profits from the international food side rose from \$44m to \$50m, but this gain was more than offset by a tumble in domestic profits from \$201m to \$188m, caused by tough competition in the US biscuit market.

After an \$11m pre-tax charge for the cost of the proxy fight with Mr LeBow, after-tax profits were unchanged at \$196m, but a fall in the charge for preferred stock dividends enabled the company to show an advance at the bottom line.

Continued growth at Northern Telecom

By Robert Gibbons in Montreal

A drive into fibre-optic network installation and overseas expansion continued to fuel growth at Northern Telecom, Canada's biggest manufacturer of telecommunications equipment.

The company yesterday posted a 33 per cent rise in net profits for the first quarter of 1996, to US\$82m, or 32 cents a share, from \$61m, or 24 cents, last time. Revenues were \$2.8bn, up 16 per cent from \$2.25bn. A rise in orders of 31 per cent to \$2.6bn reflected gains in North America and Europe. The results were in line with most forecasts.

Revenues were strong in the US because of good growth in network equipment business. Besides the gains in Europe, Nortel did well in the Caribbean and Latin America, partially offset by a decline in the Asia-Pacific region. Canadian revenues improved.

Selling, general and administrative expenses were 18 per cent of revenues, against 20.3 per cent a year earlier. Research spending was US\$402m or 15.5 per cent of revenues, against 14.4 per cent, reflecting rising activity in the wireless and broadband communications sectors.

"Order input in broadband networks indicates the impact of the US Telecommunications Reform Act, and customers are preparing for more competitive conditions," said Mr Jean Monty, President.

Nortel is controlled by BCE, Canada's biggest communications group. Coinciding with yesterday's results came news that the company had won a \$500m contract to supply WorldCom, one of the world's largest multimedia network carriers, with specialist equipment. WorldCom said the deal would help expansion in its supply of voice and data access services, Internet access, video transmission and multimedia applications.

Abitibi-Price, Canada's biggest newspaper producer, posted first-quarter earnings of C\$75m (US\$52.5m), or 31 cents a share, up from C\$30m, or 34 cents, a year earlier, on sales of C\$700m against C\$600m. However, the result was lower than the final quarter of 1995.

Takeover costs put Disney in red

By Christopher Parkes in Los Angeles

A \$525m one-off charge to cover the cost of taking over ABC/Capital Cities and associated accounting changes helped drive Walt Disney, the leading entertainment group, into a loss of \$25m in its second quarter.

Net income excluding the non-recurring items matched analysts' predictions at \$268m, or 47 cents a share - down 15 per cent from \$316m, or 60 cents, last time. Even so, the group share price fell 1 1/4% to \$61 1/4 in early Wall Street trading.

Operating income for the quarter rose 8 per cent to \$65m on revenues of \$4.5bn.

The company, which last year reinforced its top management and is currently producing new films and television programming at near-record rates, said sales from these operations - bundled together as "creative content" - increased 13 per cent to \$2.4bn, compared with \$1.9bn.

But operating income fell 37 per cent to \$362m, despite big international successes such as Toy Story, the ground-breaking computer-animated movie still setting records in the international market in the wake of Pocahontas.

The company said creative results had been affected by the release of fewer live action movies in the domestic market and write-offs associated with



Pocahontas: an international success for Disney

scrapped projects in the development phase.

The comparable quarter's results were also bolstered by the video release of The Lion King.

Theme parks and resorts, several of which are undergoing substantial facilities and updates, also reported a 15 per cent increase in revenues to \$1.1bn from \$920m.

Attractions in Florida and California, home of the original Disneyland, drew record attendances for the time of year, the company said, although the parks' operating

income slipped 17 per cent to \$62m.

Broadcasting revenues, basically unchanged at \$1.4bn, laboured under the effects of a soft advertising market, although the newly-acquired ESPN television sports network is said to be performing strongly.

Disney also said the board had approved a new stock repurchase programme allowing the company to buy back a maximum of 104.5m shares. The programme replaces a similar one approved before the acquisition of Capital Cities.

Ex-Viacom chief joins MCA

By Tony Jackson in New York

Mr Frank Biondi, who was abruptly dismissed as chief executive of the US media group Viacom in January, has been appointed chairman and chief executive of MCA, the entertainment group.

The much-rumoured appointment had been a matter of dispute between Viacom chairman Mr Sumner Redstone and MCA's owner, the Canadian drinks group Seagram.

The MCA job, one of the most prominent in Hollywood, had been vacant since Seagram bought MCA from Matsushita of Japan a year ago. Attempts by Seagram chairman Mr Edgar Bronfman to hire the Hollywood agent Mr Michael Ovitz had broken down, with Mr Ovitz instead moving to Walt Disney.

Seagram's more recent attempts to hire Mr Biondi had been blocked by Mr Redstone, who cited a non-competing agreement signed by Mr Biondi while at Viacom. As the price of waiving the agreement, Mr Redstone was reported to be seeking to vary the terms of a joint cable-TV venture between Viacom and MCA.

Mr Biondi said yesterday: "Mr Sumner had asked to have some conversations with me from the non-compete agreement. Yesterday he called me and said since we hadn't been able to reach a resolution, it was time for me to get on with my life." He said Mr Redstone's talks



Frank Biondi: undecided about MCA buying a TV network

with MCA were continuing.

In dismissing Mr Biondi after a nine-year partnership, the 72-year old Mr Redstone had blamed him for being slow to react to a downturn in earnings at Viacom's Paramount studio. Mr Biondi said yesterday: "The irony is that when the dust settles in 1998, I think Paramount will have had one of the best years in its history."

Mr Biondi, who will also join the Seagram board, said his chief emphasis would be on

developing MCA's highly successful recorded music business. "You'd need to be deaf, dumb and blind not to see that as the most attractive part of the business," he said.

Mr Biondi said he had yet to form a view on whether MCA should own a TV network as a means of securing distribution for its output. "It's a hard question to answer. I haven't seen inside the business. Every studio needs access to a network. The question is whether you need to own it."

JCI Limited



H.J. Joel Gold Mining Company Limited

(Registration number 05/01956/04) ("H.J. Joel" or "the Company") (Incorporated in the Republic of South Africa)

RESULTS OF THE OFFER TO ORDINARY SHAREHOLDERS

In terms of the H.J. Joel rights offer to its ordinary shareholders of 164 606 848 new ordinary shares of one cent each ("new shares") at a subscription price of 250 cents per share ("the offer"), subscriptions were received for 157 172 977 new shares, representing 95.49% of the offer.

In accordance with the underlying agreement, JCI Limited and Anglo American Corporation of South Africa Limited have procured subscriptions and/or subscribed as principals for the balance of the new shares.

Share certificates in respect of the new shares will be posted today.

On behalf of the Board

W.A. Nain J.F. Browning

Johannesburg 24 April 1996

The Republic of Venezuela U.S. \$268,282,000 Collateralized Floating Rate Bonds due 2008 USD Discount Series A

The Republic of Venezuela U.S. \$239,696,000 Floating Rate Bonds due 2008 USD Debt Conversion Series II

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COMPANIES AND FINANCE: UK

Company considers selling its Hush Puppies shoe stores
Sears slumps to £120m loss

By Christopher Brown-Humes

Sears, the retail group, yesterday said it was considering selling its Hush Puppies shoe stores as it slumped to a £118.7m pre-tax loss from profits of £158.8m in the year to January 31.

Trading profits fell from £148.6m to £106m.

Mr Liam Strong, Sears chief executive, said the 123 Hush Puppies stores were being "reviewed" because they overlapped with some of the group's other businesses, and lacked their size and growth prospects.

The British Shoe Corporation had a disastrous year in 1995, with trading profits slumping from £38.1m to £7.5m on sales 2.2 per cent lower at £904.5m.

The operation grappled with difficult trading conditions, a poor performance by Dolcis, and stock problems caused by a poorly-managed change from old to new formats.

There was also a disappointing performance from Freemans, the mail order business, particularly in the second half when the group found it hard to recruit new agents.

By contrast, Selfridges, the group's flagship department store, had a strong year, lifting trading profit by 21.8 per cent

to £24.6m and turnover by 14.7 per cent to £278m.

NatWest Markets has lowered its forecast for 1996-97 profits to £110m from £120m-£125m, citing the continuing problems at British Shoe and Freemans.

But the shares still rallied 1.5p to 98.5p on the belief that the group should be over the worst of its troubles.

The final dividend was maintained at 2.5p, giving 3.95p for the year. Losses per share were 7p (earnings 7.5p).

Babcock blames Saudi Arabia for expected loss

By Tim Burt

Babcock International, the process engineering and materials handling group, yesterday issued a profits warning after blaming political tension between Britain and Saudi Arabia for a big fall in orders.

The company - confirming reports in the Financial Times last week - accused Riyadh of cancelling contracts following Britain's decision to rescind the deportation order against Mr Mohammed Al-Massari, the leading Saudi dissident.

Shares in the group fell 15 1/2p to 113p after it said that its failure to win \$220m of orders from Saudi Arabia would contribute to an £18m operating loss in the year to March 31.

Mr John Parker, chairman, said three important civil engineering deals had been cancelled - the largest of them on the day after Mr Al-Massari

was given leave to appeal against his deportation. "If this situation is not resolved it will create long-term difficulties for British companies," he added.

Other engineering companies, including John Brown Engineering and Davy - the Trafalgar House subsidiaries, admitted they had also lost orders.

Shares also fell yesterday in some of the UK's largest defence-related companies, which have significant potential exposure to Saudi Arabia. British Aerospace fell 14p to 864p, GKN shed 13p to 979p and Vickers ended the day down 8p at 253p.

Saudi officials said that all contracts were judged on commercial and not political grounds. But Babcock has decided not to bid for any further deals until the political climate improves.

Harvey Nichols valued at £148m

By Louise Lucas in Hong Kong

Harvey Nichols, the Princess of Wales' favourite department store, has maintained its reputation for high price tags with its pending flotation.

The shares are to be priced at 270p, at the top of the indicative range, valuing the London store at £148.5m (£234m). The pricing puts the stock on a historic high of 26.

Dickson Concepts, the Hong Kong luxury goods retailer which bought the store from Burtons in 1991 for \$51m and is now selling 49.9 per cent, will receive about \$52m from the deal, to be taken as an exceptional profit, net of expenses, of about £54.8m. It will boost the Hong Kong company's treasure chest to more than HK\$1.2bn.

Mr Dickson Poon, chairman of Dickson Concepts, said yesterday that the offering of 24m shares had attracted provisional orders in excess of 15 times. This suggests the additional allotment of 3.45m shares will be triggered, leaving Dickson with 50.1 per cent of Harvey Nichols.

Mr Poon also outlined ambitious expansion plans, including a new exclusive franchise and distribution agreement, and a blueprint to open 50 shops in south-east Asia.

It plans to open 27 shops in the colony this year, including two Warner Bros Studio Stores and under the new franchise deal with Joan & David, the US women's wear clothes label, the group will open six outlets in Hong Kong, Taiwan and Singapore.



Joseph Wan, chief executive, right, and Clive Morton, finance director, announcing the share price at the Knightsbridge store

Barclays chief leaves in strategy dispute

By William Lewis

A senior executive of Barclays, the UK's second largest bank, has resigned following a dispute over strategy and structure.

Mr Tony Vine-Lott has left his post as head of Barclays retail stockbroking and trustee

activities after his plan for a shake-up of his division was put on hold.

It is understood Mr Vine-Lott's proposals were rejected by Mr Martin Taylor, chief executive of Barclays, and he was effectively forced out.

Mr Vine-Lott was unavailable for comment.

BET boosted as three reject bid Huntleigh rise buoys shares

By Geoff Dyer

BET received a huge boost yesterday to its defence against a hostile £2.1bn (£3.2bn) takeover bid from Rentokil when three institutional investors, representing nearly 10 per cent of the shares, came out publicly against the offer.

The news represented a significant coup for Mr John Clark, BET's chief executive, and suggested that the bid battle, which Rentokil has been a strong favourite to win, will be

considerably closer than most predictions.

However, Rentokil, the rival business services group, also improved its position by buying 6.8 per cent of BET shares in the market and received the public endorsement of Standard Life, which has about a 3 per cent stake in BET.

The offer closes on Friday, and BET can call on the support of 17.25 per cent of the shares, after M&G, its largest shareholder, declared on Friday it would reject the bid. Rentokil now has the backing of around 13 per cent.

By Simon Kuper

Shares in Huntleigh Technology jumped 75p to 885p yesterday, valuing the medical equipment group at more than £250m, (£377m) as it reported pre-tax profits of £12.5m for 1995.

The group, traded on the USM, plans to seek a Stock

Exchange listing by mid-June, but would not issue new shares.

The outcome compared with profits of £5.66m last time, struck after an exceptional provision of £3.1m against a claim by the US government, which has since been settled without admission of liability. Stripping this out, profits

showed a 32 per cent rise.

The group said exports to continental Europe in the first quarter of 1996 were "particulary strong", suggesting "further progress" in year-on-year sales in the first half of the year. Huntleigh is this year to open a sales office in Kuala Lumpur, hoping to profit from growth in Asian healthcare.

RESULTS

Table with columns: Company, Period, Revenue (£m), Profit (£m), EPS (p), Dividend (p), Total for year, Total last year. Lists companies like Alexander Workwear, Capent, Dickle (James), etc.

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. For increased capital. Foreign currency. USM stock. *Comparative period. †Am stock. ‡September 30. §Second interim.

NatWest postpones buy-back decision

National Westminster Bank yesterday indicated that no decision was likely soon on whether to use some of the proceeds from the \$3.56bn sale of Bancorp, its US retail banking subsidiary to buy back its own shares, writes George Graham.

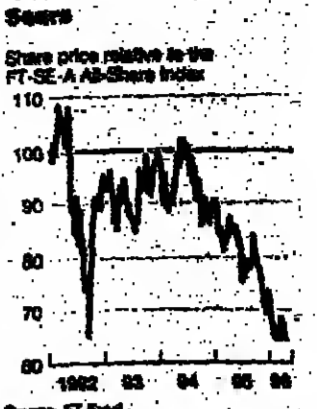
Lord Alexander, the bank's chairman, told shareholders at yesterday's annual meeting that any decision on a buy-back was "a long way in the

future". It kept the option open yesterday when shareholders voted without dissent to authorise the company to buy back up to 100m shares, roughly 6 per cent of its capital.

Since its agreement to sell Bancorp to Fleet Financial, NatWest has spent \$272m on buying the Gartmore fund management business, and has been eyeing other targets in sectors such as life assurance.

LEX COMMENT Sears

Sears' slide into loss after exceptional charges hardly covers its chief executive Mr Liam Strong in glory. Four years into the job, he has manifestly failed to deliver the promised turnaround in the specialised retailer's performance. But there is little to be gained from a change in management. Mr Strong's basic strategy is right. It may have taken longer than it should, but he has slimmed down the group and integrated support functions.



With the exception of the likely disposal of Hush Puppies, the restructuring is at last complete. The argument for further disposals is persuasive but not compelling. The flotation of Harvey Nichols at a valuation of 26 times historical earnings certainly makes spinning off Selfridges look tempting. But if Harvey Nichols fails to live up to its ambitious valuation, the attraction of floating Selfridges could well fade.

Furthermore, plans to open regional Selfridges stores suggest Sears is exploiting the value of the brand. The Freemans catalogue business, which Sears also wants to expand, is a better candidate for disposal: the fit is less obvious, and the hoped-for consolidation doubtful, since none of the market leaders want to sell. The other possible divestment is British Shoe, but given its continuing difficulties, it is hardly the right time to maximise shareholder value.

Mr Strong probably has another year to get it right. Given the poor start to trading this year and the company's admission that the latest structural changes will not feed through into profits until the second half, the timetable is a tight one.

DIGEST

Positive mood at Games Workshop

It is run from a Portakabin in Nottinghamshire by an ex-tax inspector with a philosophy degree. But yesterday a positive trading statement from Games Workshop pushed the shares 31p higher to 390p and boosted further the personal fortune of Mr Tom Kirby, the company's 45-year-old chief executive and founder.

He still holds 8.35 per cent in the business which makes and retails miniature fantasy warriors, such as Space Wolves, Blood Angels and Orks, used in elaborate war games.

The group said that trading in the current financial year had been "strong" and the company was expecting profits ahead of market estimates. Mr Kirby said results would also be boosted by a 53-week year and a weekend known as Apocalypse 100 in March, celebrating the opening of the Games Workshop store in Warrington, the company's 100th.

Mr Tim Steer, small companies analyst at Merrill Lynch, yesterday increased his profits forecast from £7.7m to £8.8m for the year to the end of May and from £8.8m to £9.5m for the following year. He described March as "an awesome month" for the company because of Apocalypse 100, but estimated underlying sales growth at 30 per cent.

If the UK supported 90 stores, then the group had hardly scratched the surface in France, Germany and the US, said Mr Steer.

David Blackwell

Daewoo fails to buy Lotus

Daewoo, the South Korean industrial group, has been told by Group Lotus that its negotiations to buy the company have failed, and a search is on to find other potential industrial "partners" for the British sports car maker and engineering consultancy.

"Daewoo is no longer in the picture", Lotus, which employs 1,000, mainly at Hethel in Norfolk, said last night. It refused to identify any of the new parties said to be involved in discussions. However, "we are looking for more than just a financial partner", the company said. It appears unlikely, however, that any deal is imminent. Lotus insiders last night were suggesting that it could be several months before any deal emerges. John Griffiths

Advertisement for Goldman Sachs International, featuring Incentive AB and Gambro AB. Text: "We acted as financial adviser to Incentive AB in this transaction." Includes Goldman Sachs logo and regulatory information.

LEGAL NOTICES. NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SECTION 7(7) OF THE TELECOMMUNICATIONS ACT 1984. The Secretary of State hereby gives notice as follows: 1. He intends to revoke the Class Licence To Run Branch Systems To Provide Telecommunications Services and the Class Licence For The Running Of Self Provided Telecommunications Systems which were granted by the Secretary of State under Section 7 of the Telecommunications Act 1984 ("the Act") on 4 November 1994 and 30 July 1992 respectively and to issue a new Class Licence To Run Branch Systems To Provide Telecommunications Services and a new Class Licence for the Running of Self Provided Telecommunications Systems. The Licences will be for a period of 25 years subject to earlier revocation in circumstances specified in the licences. 2. There are three main variations between the current licences and the new licences. The designated maintenance regime would be abolished. This would introduce a more competitive environment for the provision of maintenance services. A new privacy condition would be introduced requiring licensees to make all parties to a conversation aware of any recording, silent monitoring or any intrusion into the conversation. The approval conditions would be amended to align with the requirements of the Telecommunications Terminal Equipment Directive and exempt indirectly connected equipment such as personal computers and televisions from requiring type approval. 3. Various other minor or consequential amendments would be made to both licences to standardise the conditions and definitions. The existing interpretation and meaning of the text would not change by these other amendments. 4. Representations or objections may be made in respect of the proposed new Licences. They should be made in writing by 22 May 1996 and addressed to the undersigned at the Department of Trade and Industry, Communications & Information Industries Division, Room 2.56, 151 Buckingham Palace Road, London SW1R 7JH. Copies of the proposed licences and an Addendum to the Explanatory Guide detailing the proposed changes can be obtained free of charge by writing to the Department or by calling 0171 215 1785. Christopher Holmes, Department of Trade and Industry, 24 April 1996.

BUSINESSES FOR SALE. Appear in the Financial Times on Tuesdays, Fridays and Saturdays. For further information or to advertise in this section please contact Lesley Sumner Tel: 0171 873 3308 Fax: 0171 873 3064.

IN INDONESIA WE PROTECT THE RAINFOREST WITH FISEL. A WWF project has resulted in over a hundred fish ponds being built in the high Java rainforest in central Indonesia. The fish ponds provide a much needed, reliable source of protein and food for the local community. They also produce an invaluable by-product: a natural fish farm for the city of the forest rain forest. The ponds require a supply of clean, fresh water. This is only possible throughout the year in water-catchment areas of the surrounding forest. WWF has provided plans and concrete for the ponds, and fish to stock them with. And because we believe it is more important to educate by physical means than by just giving advice, WWF agricultural extension workers helped to construct concrete tanks and dig fish ponds. Now an entire community benefits, and the entire community runs the fish pond programme without outside help. If you would like to help us set up planned projects to save the rainforest, write to the Membership Officer at the address below. WWF World Wide Fund For Nature (formerly World Wildlife Fund) International Secretariat, 1196 Glend, Switzerland.

CONTRACTS & TENDERS. PRIVATE FINANCE INITIATIVE DERBYSHIRE CONSTABULARY. Under the Government's Private Finance Initiative, Derbyshire Constabulary are seeking expressions of private sector interest in the provision of the imaginative and innovative design, build, finance and operation of a replacement 'D' DIVISION HEADQUARTERS, DERBY. The building will house a range of administrative and operational police formations. Several units provide 24 hour services (including a Custody Suite) and certain units will require hardened security. The design should allow maximum flexibility for changing needs in the future, and it should also incorporate the facility for use of information technology throughout. Parties interested solely in construction funded by public finance should not apply. Requests for further information should be made in writing not later than 17 May 1996 to: The Building Development Officer, Derbyshire Constabulary, Butterley Hall, Ripley, Derbyshire, DE5 3RS. Fax: 01773 572027. COPEL. SALTO CAXIAS HYDROELECTRIC POWER STATION. INTERNATIONAL COMPETITION C-310 GAS INSULATED SUBSTATION DELIVERY DATE POSTPONEMENT. COMPANHIA PARANAENSE DE ENERGIA - COPEL - informs that the delivery of the qualification documents and price bid for the International Competition C-310 - Gas Insulated Substation - was postponed to April 30, 1996, at 2:00 p.m., Rua Voluntarios da Patria, 233, ground floor. The other provisions of the Instructions to Bidders remain unmodified.

Handwritten Arabic text: سكرات الاموال

COMMODITIES AND AGRICULTURE

US crop damage drives grain prices to new high

Grain futures prices surged to fresh highs in Chicago yesterday as damage to the US winter wheat crop continued to fuel fears of a shortage. The July wheat contract rose 25 cents in early trading to \$6.19 1/4 a bushel after the exchange increased the daily trading limit to 30 cents.

Head start among Canadians in Cuba Pascal Fletcher on how Northern Orion Explorations's mining plans are shaping up

Vancouver-based Northern Orion Explorations, a 50 per cent Canadian company prospecting for gold, silver and base metals in Cuba, plans to be the first to go into production with the expected start-up of a gold-copper mine in the first quarter of 1997.

enriched copper deposit with an overlying gold-bearing goosin cap. A final feasibility study carried out by Davy International of Toronto projects a two-year first phase of open pit mining to extract 2m tonnes of ore grading 1.94 grams of gold per tonne.

Brazilian frosts prospect sends coffee futures racing upwards

Early excitement about the prospect of frosts in Brazil sent coffee futures prices racing upwards in London yesterday. The rise followed a 10 per cent jump to seven-month highs in New York arabica futures on Monday night.

Romania invites tenders for oil and gas exploration

Romania, central Europe's only significant oil producer, yesterday launched an international tender for exploration and production rights on 15 new blocks.

Interest in the blocks had exceeded expectations. The tender is the first to be organised since the agency was created last year and a much delayed new petroleum law took effect in March.

COMMODITIES PRICES

Table with multiple columns: BASE METALS (ALUMINUM, COPPER, GOLD), PRECIOUS METALS (SILVER, PLATINUM), GRAINS AND OIL SEEDS (WHEAT, SOYBEANS), SOFTS (COFFEE, SUGAR), MEAT AND LIVESTOCK (CATTLE, HOGS), ENERGY (CRUDE OIL, NATURAL GAS), and PRECIOUS METALS (LONDON GOLD). Includes a 'JOTTER PAD' and 'CROSSWORD' section.

كود من الاصل

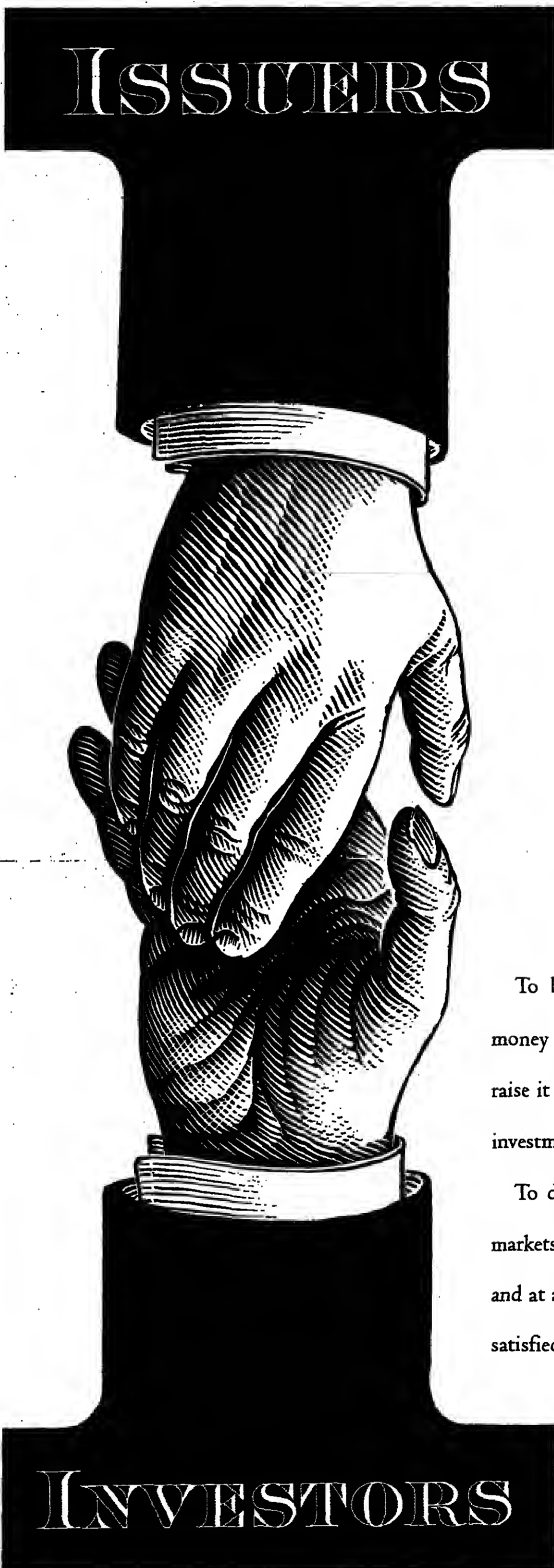
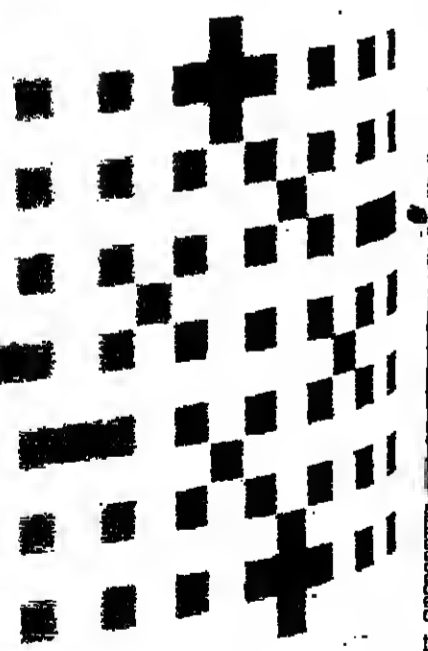
Crossword puzzle grid and clues. Clues include: 1 Fatty tincture on cheek - doctor will come round (6), 4 A member chewed the bran with expression of disgust (6), 9 Point to onerous (6), 10 Trying to deceive one new in the art of loquacious (8), 12 They have no illusions when the rest sail away (8), 13 Bishop to manage the Spanish (6), 15 Run into fresh recession (4), 16 The rich set act out of character when they make plans (10), 19 Bring Linton to order (10), 20 Notice it's not yet midday (4), 23 File an amendment about medals (8), 25 Adding to a neat solution (5), 27 Boy in Italian horse race (5), 28 Enthusiast wanted to laze around (6), 29 Man with a tendency to be supporter of Stuart, perhaps (8), 30 Not coming back after the peace (8), 31 Unlettered king was engulfed in deep display of respect (7), 32 A soldier on the queen's ship (8), 33 It's material to the way of working the locks (8) or just one? (4), 34 Interest taken in speed on the riverside (4,4).

صكرا من الاصل

Plans in Cuba

gas exploration

CROSSWORD



To bring together those who have money to invest with those who seek to raise it is a fundamental of international investment banking.

To do so in primary and secondary markets with skill and strength, in a way and at a price that leaves both sides well satisfied, is a fundamental of BZW.

INVESTMENT BANKING. FROM A TO



INTERNATIONAL CAPITAL MARKETS

Italian prices show further outperformance

By Samer Iskander in London and Lisa Bransten in New York
Italian bonds were once again the best performing sector...

further outperformance by ITFs. Analysts at Bear Stearns revised their projections for the 10-year spread between ITFs and bunds downwards...

notional contract closed at 123.26, up 0.10. In the cash market, the 7% per cent OAT due 2006 rose by 0.03 to 106.03...

During the placement of new bond issues, lead managers often sell futures contracts or government bonds to hedge their holdings...

106 1/2, down 1/4. However, traders expect the market to start performing better once the new supply is out of the way.

down 1/4 at 105 5/16, yielding 5.894 per cent. At noon, the June Treasury bond future had fallen 1/4 at 110 1/4.

Portugal raises French francs

By Corner Middlemann
The eurobond market was swamped by a flood of new issuance yesterday...

especially insurance companies - which took about 70 per cent of the deal, with the rest placed around Europe.

reported strong sales to Asia and the Middle East where "Flemings has very high name recognition" and said the deal was sold out.

via Morgan Stanley, and AT&T Universal Master Trust issued \$300m of asset-backed bonds via J.P. Morgan.

Merrill Lynch to lead a new debut bond, likely today, for Czech Komercni Banka via CS First Boston.

debut bond, likely today, for Czech Komercni Banka via CS First Boston. The deal is seen as a five-year maturity, spread talk was of 50 to 65 basis points over Treasuries.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists various international bond issues from US Dollars, French Francs, and Australian Dollars.

WORLD BOND PRICES

Table with columns: Country, Coupon, Rate, Price, Change, Yield, Week ago, Month ago. Lists benchmark government bonds for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

Table with columns: Country, Coupon, Rate, Price, Change, Yield, Week ago, Month ago. Lists benchmark government bonds for Italy, Spain, and UK Gilts.

Table with columns: Index, Price Index, YTD, Day's change, Mon, Tue, Wed, Thu, Fri, Sat, Sun, 12m, 24m, 36m, 48m, 60m, 72m, 84m, 96m, 108m, 120m, 132m, 144m, 156m, 168m, 180m, 192m, 204m, 216m, 228m, 240m, 252m, 264m, 276m, 288m, 300m, 312m, 324m, 336m, 348m, 360m. Lists FT-Actuaries Fixed Interest Indices.

US INTEREST RATES

Table with columns: Rate, 1m, 3m, 6m, 9m, 12m, 18m, 24m, 30m, 36m, 42m, 48m, 54m, 60m, 66m, 72m, 78m, 84m, 90m, 96m, 102m, 108m, 114m, 120m, 126m, 132m, 138m, 144m, 150m, 156m, 162m, 168m, 174m, 180m, 186m, 192m, 198m, 204m, 210m, 216m, 222m, 228m, 234m, 240m, 246m, 252m, 258m, 264m, 270m, 276m, 282m, 288m, 294m, 300m. Lists US interest rates.

UK GILTS PRICES

Table with columns: Issue, Bid, Offer, Price, Yield, Duration, Convexity, Basis, etc. Lists UK Gilts prices.

BOND FUTURES AND OPTIONS

Table with columns: Contract, Price, Change, Yield, Week ago, Month ago. Lists bond futures and options for France, Germany, Italy, Spain, and UK.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists international bond issues from various countries.

OTHER FIXED INTEREST

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists other fixed interest issues.

DEUTSCHE MARK STRATEGIES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists Deutsche Mark strategies.

Electricity sector galvanises banks

By Antonia Sharpe
Leading banks in the syndicated loans market are finding themselves pitted against each other as takeover activity in the UK's electricity sector intensifies.

to general syndication while the bid is still hostile, banks will be forced to reveal which client they are backing.

SYNDICATED LOANS

BZW, Chase, NatWest and UBS have jointly arranged and underwritten a \$2.2bn three-year facility to fund National Power's agreed \$2.5bn (\$3.7bn) cash offer for Southern Electric, the UK regional supplier and distributor.

Bankers involved in the transaction said the fact that Newquest was the first purchaser in Europe by KKR, the US leveraged buy-out specialist, was prompting a favourable response from the small group of banks invited to participate in the loan.

دولار من الاموال

Electricity sector galvanises banks

MARKETS REPORT

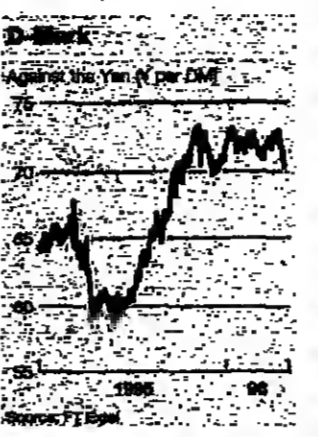
D-Mark remains on back foot in currency markets

By Philip Gawth

The dollar and the lira both rose to fresh highs against the D-Mark yesterday as the weak German currency continued to dominate foreign exchange trading.

from DM1.516. It remains weak against the yen, confirming that current moves are more a reflection of D-Mark weakness than dollar strength.

continues to reverbate in the foreign exchange markets. Coming against the background of a weaker D-Mark it has been interpreted by the market as that rare phenomenon - a Bundesbank endorsement of a weaker D-Mark.



This trend has been bolstered by the dramatic resolution of the political mayhem in Italy. Three to four months ago that was unthinkable.

had its roots more in the weakness of the D-Mark than in any overt change in sentiment in favour of EMU.

He said that both the Swiss and French central banks had the German lead towards lower rates. Recent developments confirmed his view that the French franc might well return to its old ERM central parity of FFy3.3685 against the D-Mark.

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, Bank of England index.

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, Bank of England index.

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, Bank of England index.

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Table with columns: Country, Bid, Offer, DM, FF, Lira, Yen, etc.

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Table with columns: Country, Bid, Offer, DM, FF, Lira, Yen, etc.

Table with columns: Open, Latest, Change, High, Low, Est. vol, Open int.

Table with columns: Open, Latest, Change, High, Low, Est. vol, Open int.

Table with columns: Open, Latest, Change, High, Low, Est. vol, Open int.

Table with columns: Open, Latest, Change, High, Low, Est. vol, Open int.

Table with columns: Open, Latest, Change, High, Low, Est. vol, Open int.

Table with columns: Open, Latest, Change, High, Low, Est. vol, Open int.

Table with columns: Price, Jun, Sep, Dec, Jan, May, Jul.

Table with columns: Price, Jun, Sep, Dec, Jan, May, Jul.

Table with columns: Price, Jun, Sep, Dec, Jan, May, Jul.

Table with columns: Price, Jun, Sep, Dec, Jan, May, Jul.

Table with columns: Price, Jun, Sep, Dec, Jan, May, Jul.

Table with columns: Price, Jun, Sep, Dec, Jan, May, Jul.

Table with columns: Name, Rate, %

Table with columns: Name, Rate, %

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Table with columns: Name, Rate, %

Table with columns: Name, Rate, %

Table with columns: Name, Rate, %

Table with columns: Country, Over night, One month, Three months, Six months, One year, Lomb rate, Daily rate, Repo rate.

Table with columns: Country, Bid, Offer, DM, FF, Lira, Yen, etc.

Table with columns: Country, Bid, Offer, DM, FF, Lira, Yen, etc.

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Notice of Early Redemption to Holders of Series D of RSVP Westminster Limited

Notice of Early Redemption to Holders of Series C of RSVP Westminster Limited

Notice of Early Redemption to Holders of Series B of RSVP Westminster Limited

Republic of Austria Floating Rate Notes due 2002

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PERSONAL PUBLIC SPEAKING

NOTICE TO THE HOLDERS OF US \$1,000,000 UNITED MEXICAN STATES LIBRACETTES NOTES

55 من الاصل

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

AIM - Cont.

Table listing companies on the Alternative Investment Market (AIM) with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, and % Change.

PHARMACEUTICALS - Cont.

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

RETAILERS, GENERAL - Cont.

Table listing general retailers with columns for Name, Price, and % Change.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and % Change.

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

AIM

Table listing companies on the Alternative Investment Market (AIM) with columns for Name, Price, and % Change.

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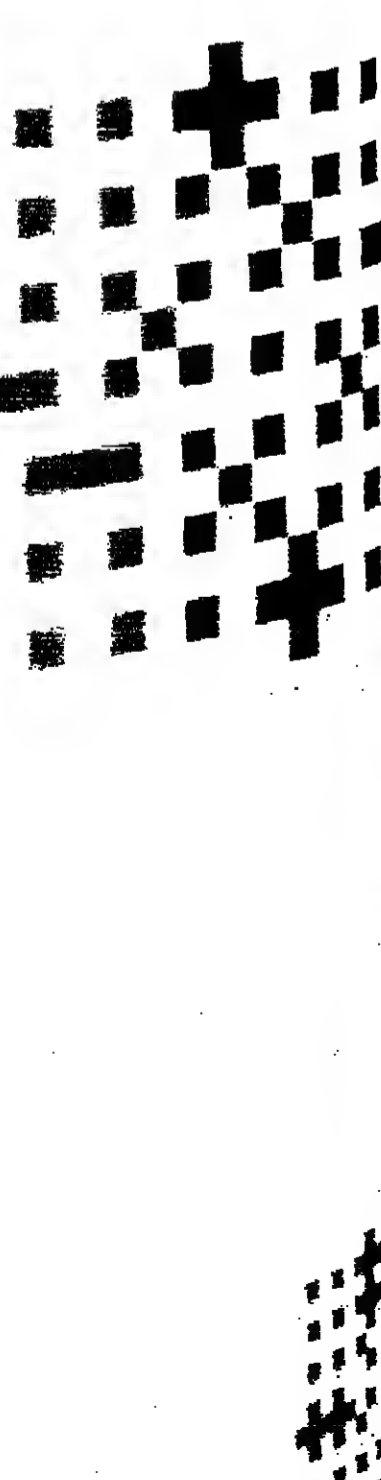
GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Direct, a member of the Financial Times Group. Company classifications are based on those used for the FT-SE Actuaries Share Indices. Daily mid-price are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-price over a rolling 30 week period...

ains in Cuba

ains exploration

CROSSWORD



FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Bermuda (SIB Recognised) funds.

BERMUDA (REGULATED)**

Table listing fund names, ISIN, and prices for Bermuda (Regulated) funds.

GUERNSEY (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Guernsey (SIB Recognised) funds.

GUERNSEY (REGULATED)**

Table listing fund names, ISIN, and prices for Guernsey (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

ROYAL BANK OF CANADA QIS FUND MANAGERS LTD - CONT.

Table listing fund names, ISIN, and prices for Royal Bank of Canada QIS Fund Managers Ltd.

GUERNSEY (REGULATED)**

Table listing fund names, ISIN, and prices for Guernsey (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

LET ASSET MANAGEMENT LTD

Table listing fund names, ISIN, and prices for Let Asset Management Ltd.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

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IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

DAVITA EUROPE FUND MANAGERS LTD - CONT.

Table listing fund names, ISIN, and prices for Davita Europe Fund Managers Ltd.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

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Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

MERIDIAN FUND MANAGERS (UK) LTD

Table listing fund names, ISIN, and prices for Meridian Fund Managers (UK) Ltd.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

INVESTIS INTERNATIONAL LIMITED - CONT.

Table listing fund names, ISIN, and prices for Investis International Limited.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

FIDELITY FUNDS (UK)

Table listing fund names, ISIN, and prices for Fidelity Funds (UK).

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

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IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

S-E BANKING LUXEMBOURG SA - CONT.

Table listing fund names, ISIN, and prices for S-E Banking Luxembourg SA.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

IRELAND (SIB RECOGNISED)

Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

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Table listing fund names, ISIN, and prices for Ireland (SIB Recognised) funds.

IRELAND (REGULATED)**

Table listing fund names, ISIN, and prices for Ireland (Regulated) funds.

Handwritten text in Arabic script: "صكبات الاموال"

OFFS INSU

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4376 for more details.

Main table containing various fund categories: Global Investment Funds, Pacific Group - Credit, FTI Investment Co Ltd - Credit, Royal Overseas Life Assurance Ltd, Discovery Mutual Investment Company Ltd, Global Asset Management - Credit, FTI Multifund Funds, and Regional Capital Management Ltd. Each entry includes fund name, price, and other details.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES: Please see the notes on page 28 for more information. This table shows the unit prices of the funds listed in the table above. The unit price is the price of one unit of the fund. The unit price is calculated as follows: (Net Asset Value) / (Number of Units Outstanding).

Positive mood at James Workshop

FINANCIAL TIMES

Financial Times logo and other branding elements.

Handwritten note in Arabic: سكر من الاصل

MARKET REPORT

Rights talk and gilts auction fears upset shares

By Steve Thompson, UK Stock Market Editor

London's equity market wilted again under a welter of bearish stories, some eminently plausible, others extremely far-fetched. The fundamentals included a disappointing Quarterly Trends Survey, published by the Confederation of British Industry, which highlighted sluggish output and new orders and a dip in business confidence. And the absence of another much rumoured takeover bid in the utilities sector was a further depressing influence in the marketplace. Another downside factor was a

strong rumour that one of the big FT-SE 100 stocks was preparing a substantial rights issue, possibly to finance a big acquisition. British Airways was cited as a possible rights issue candidate, as were the Footsie's brewing giants, Bass and Scottish & Newcastle. Adding to the market's general unease yesterday were worries about today's auction of £2bn worth of 10-year gilts. Dealers said bond markets had become increasingly nervous ahead of the gilts, bond and bond auctions scheduled for this week. The upshot of all this perceived bad news was that the FT-SE 100 index posted its second successive

decline, losing a further 19.7 to 3,833.0. The downside pressures were much less obvious in the FT-SE Mid 250 index, which finally succumbed to small pockets of profit-taking and eased 4.0 to 4,540.1. The day was not without the usual daily dose of takeover speculation and the "usual fantasies" as one dealer put it. The spotlight yesterday shined on Zeneca, whose shares challenged their all-time high in the wake of stories that a bid from the Continent or the US was on the way. Such stories have propelled Zeneca on numerous occasions in the past year. Ladhroka, where talk of a bid from Bass, Scottish & Newcastle or

Hilton International crop up weekly, was one of only a handful of Footsie stocks to make progress, as was Thorn EMI, owing to renewed talk of a break-up bid. Meyer International, the timber and building materials group, was another to attract bid rumours. Rumours continued to circulate in the utilities, where market-makers are expecting the Department of Trade and Industry to give the green light for National Power and PowerGen to proceed with their bids for Southern and Midlands Electricity. Some dealers expect NatPower to raid the market for Southern Electricity shares immediately the DTI

news is made public. A bid for National Power from Southern Company, of the US, is being predicted for Thursday. London gave ground from the outset, with the FT-SE 100 opening 13 points off and never looking able to recoup its early loss. Turnover topped the 1bn-share mark, eventually settling at 1,050n at the 5pm calculation. This figure was inflated by very heavy volumes in BET, 150n shares, which accounted for 14 per cent of the overall total and which followed the market mid on the stock by Rentokil, whose bid closes on Friday. Customer business on Monday was worth £1.65bn.

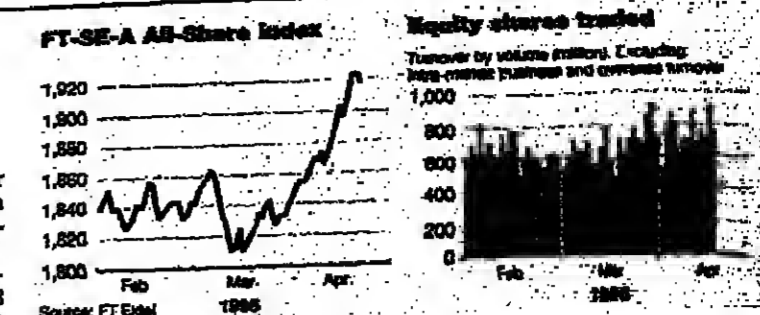


Table with 2 columns: Index Name and Value. Includes FT-SE 100 (3833.0), FT-SE Mid 250 (4540.1), FT-SE All-Share (3833.0), and various industry indices like FT Ordinary Index (2838.5), FT-SE Non-Fin (17.55), FT-SE 100 Full Jun (3843.0), 10 Yr Govt Yield (8.00), and Long gilt/yield (2.00).

Defence sector mauled

Defence stocks took something of a direct hit as the political tension between the UK and Saudi Arabia spilled over into the stock market. The catalyst was a profits warning from Babcock International, which announced a slump in orders largely as a result of the Saudi row. Babcock tumbled more than 12 per cent and sentiment in the sector went into a nosedive. Among the leaders, British Aerospace came off 14 to 864p. Rolls-Royce lost 2 to 238 1/2p in 10m traded and GKN closed 13 lower at 979p. Vickers was off 8 at 253p and Lucas Industries shed 6 to 220p. Most analysts admitted that any loss of Saudi-favoured contract status would be a problem, but felt that many of the scare stories floating around the City had been overplayed. Babcock was said to be something of a special case. Brokers downgraded profits savagely and the stock dropped 15 1/2 to a new low of 113p in record volume of 9.2m shares. BZW cut back its forecast for this year by 57m to 517m.

jumped 33 to 1390p to make it the day's best performer among FT-SE 100 constituents. Volume at the close stood at a healthy 2.6m shares. The return of bid speculation was one factor in the initial advance of the shares, though analysts moved yesterday afternoon to beat down talk of a possible bid from Swiss group Roche. Other analysts attributed the demand to a "general catching up" in the second quarter of the year, the stock having lagged behind its rivals. Some pointed to a simple squeeze in the stock. One analyst said: "Genuine business is thin on the ground and traders are just looking to generate business by making excuses for rights issues." He said that S&N was still digesting Courage, and Bass had no need for a rights issue in order to make a major acquisition. Bass tipped 4 to 78p and S&N softened 5 to 63p - in spite of speculation that it could be making a £700m sale and lease-

back on Centre Parcs. Among retailers, Sears, which also owns the Freemans mail order business, hardened 1% to 98p in spite of disappointing results and the disclosure that mail order business was 5 per cent down in the first two months of this year among the main players, excluding GUS, the market leader. In spite of this mail order caution also depressed GUS, which fell 17 to 745p. Analysts also said GUS had had a strong run recently and there was some profit-taking. T.J. Hughes, the discount retailer, added 4 at 61p following results and news of management changes. Rumour and counter-rumour continued in the regional electricity sector yesterday. National Grid remained on the market's bid list and the shares firmed another 2 to 200 1/2p. Dealers also suggested

that several institutions had been bid for stock in the market to avoid getting caught short in the event of a bid; while other buying came from those that simply favour the stock's yield attractions. There was heavy volume of 14m. Expectations of a raid on Southern Electricity from the agreed suitor National Power saw the shares maintain their strong momentum, adding 12 at 903p in trade of 1.7m. There was substantial profit-taking in National Power, which left the shares trailing 9 to 386p following trade of 4.2m, with dealers reporting some switching out of NatPower and into National Grid. Traders said bid from Southern Co, the US utility, is still on the cards. Among leading composite insurance stocks, Guardian Royal Exchange shed 2 to 233p, while Royal Insurance Holdings fell 3 to 364p. Sun Alliance added 2 to 338p and General Accident retreated a penny to 64p.

Lehman Brothers, the US investment bank yesterday reiterated its underweight stance on the sector. It downgraded earnings to reflect poor weather and deeper downturn and said it now expects sector earnings to halve between 1995 and 1997. However, Lehman continues to favour Royal Indemnity and said it "appears fundamentally cheap after 18 per cent underperformance". Profits downgrades cast a cloud over telecom shares. Merrill Lynch cut back at Cable and Wireless and Vodafone, and both lost ground. C&W was Merrill's main focus. Rising start-up costs in Europe and heavier depreciation have led the broker to cut back earnings estimates and move from buy to hold on the stock. It has reduced its profits estimates by 945m to £1.46n for 1996 and by 280m to £1.40n for 1997. Possible earnings dilution

Pharmaceuticals group Zeneca was one of the day's main talking points as several reasons combined to drive the stock sharply ahead. Moving strongly against the poor market trend, the shares

BET was said to have acquired its stake from willing sellers among institutional shareholders. BET closed 4 higher at 205 1/2p and Rentokil added 5 1/2 at 368 1/2p. Timber specialist Meyer International stood out among building materials shares. There was talk of a stock shortage and speculation that Harrison's & Crossfield was lining up a deal. Meyer rose 26 to a new high of 460p. The performance contrasted with general weakness for the sector following a cautious note from NatWest Securities. Meyer acquired Harrison's & Crossfield's timber operations last year for £18m and there has been sporadic but persistent rumours of further corpo-

Table titled 'FINANCIAL TIMES EQUITY INDICES' showing performance from Apr 22 to Apr 17 for various indices like Ordinary Shares, Div. ch. yield, P/E ratio, etc.

Table titled 'LONDON MARKET DATA' showing market statistics like Total Shares, Total Value, etc.

Table titled 'LONDON MARKET DATA: EQUITIES' showing price changes for various stocks like BHP, BP, BT, etc.

Table titled 'FUTURES AND OPTIONS' showing data for FT-SE 100 Index Futures and Options.

Table titled 'TRADING VOLUME' showing volume for major stocks like BHP, BP, BT, etc.

Advertisement for ÇUKUROVA ELEKTRİK A.Ş. Procurement Notice for generator and power transformers. Includes company details, technical specifications, and contact information.

Table titled 'FT-SE Actuaries Share Indices' showing performance for various actuarial indices like FT-SE 100, FT-SE Mid 250, etc.

Advertisement for Les Echos newspaper, highlighting recruitment opportunities for senior management positions.

Advertisement for 'THE TOP OPPORTUNITIES SECTION' featuring Robert Hunt and contact information for recruitment services.

Table titled 'Hourly movements' showing stock price changes throughout the day for various indices and sectors.

WORLD STOCK MARKETS

Table of world stock markets including sections for EUROPE, ASIA, and AMERICA. Each section lists various stock indices and their values.

Advertisement for Rockwell avionics. Text: 'Every major world airline flies with Rockwell avionics'. Includes the Rockwell logo.

Table of world stock markets (continued) including sections for AUSTRALIA, SOUTH AFRICA, and AFRICA. Lists stock indices and market data.

Table of stock indices. Columns include index name, current value, and percentage change.

Table of US stock indices. Columns include index name, current value, and percentage change.

Table of international stock indices. Columns include index name, current value, and percentage change.

Table of stock futures. Columns include contract name, current price, and percentage change.

Handwritten note in Arabic: '150 من الامل'

Resume... trading

multimedia

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Gram

4 pm close April 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like 'High', 'Low', 'Open', 'Close', 'Change', and 'Volume'. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Advertisement for 'Race to Market' featuring a horse and text: 'If the business decisions are yours, the computer system should be ours. http://www.hp.com/computing HEWLETT PACKARD'.



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150 من الامارات

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices with columns for stock symbols, prices, and changes.

Advertisement for 'Nowway' newspaper delivery service. Text includes: 'Have your FT hand delivered in Nowway.', 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day. Hand delivery services are available for all subscribers in the business centres of Bergen, Oslo, Stavanger and Trondheim. Please call +46 8 791 23 45 for more information. Financial Times. World Business Newspaper.'

AMERICA

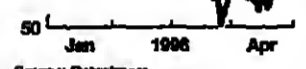
Digital results provide a lead to Nasdaq

Wall Street

Digital Equipment's forecast of stronger personal computer sales in the fourth quarter helped spur continued gains in the technology sector that led the Nasdaq composite to outperform other indices, writes Lisa Branstetter in New York.

Digital Equipment

Share price (\$)



Source: Datastream

In early trading the stock, traded on the New York Stock Exchange, was up 5/8 or 9 per cent at \$60.75. Compaq Computer added 1/4 at \$43.75.

Telmex hurts Mexico

Mexican stocks slid after trading resumed following an early systems fault, and traders said that the market was weighed down by a negative reaction to Telefonos de Mexico's first-quarter earnings.

Industrials in sharp retreat

Industrials retreated from Monday's record highs on profit-taking, with dealers remarking that the market now seemed about to be entering a consolidation phase.

EUROPE

Profit-taking pulls Milan back from early peak

Profit-taking pulled MILAN back from its best early levels, which were an extension of the euphoria on Monday that greeted the outcome of the general election, while individual developments also made for some sharp price movements.

The Comit index rose 11.04 to 656.85, while the real-time Mibtel index turned back from a high of 10,588 to finish 20 ahead at 10,442.

Mr Andrea Azimondi at CS First Boston, bullish before the election, remained optimistic, holding to his index targets of 700 by the end of June and 725 by the close of the year.

Canada

Toronto was higher at mid-session, helped by Monday's momentum and firming high-technology and gold stocks.

Tokyo

Profit-taking and technical sales eroded early gains and the Nikkei average closed marginally lower on the day, writes Emiko Terazono in Tokyo.

Sydney

Sydney accelerated to its highest close in nearly two months, with the All Ordinaries index climbing 3.6 or 2.4 per cent to 2,300.0.

left leader, that Italy should aim to begin the sale of the group this year.

Some investors were said to be increasingly worried that the strengthening lira might have hurt first-quarter earnings, while the company's plan to invest 120,000bn between 1998 and 2002 on 15 new car models was above many analysts' expectations.

ASIA PACIFIC

Inflation data help to lift Sydney by 1.4 per cent

Fudosan improved Y20 to Y1,370 and Mizuho Estate put on Y10 at Y1,440.

Roundup

SYDNEY accelerated to its highest close in nearly two months, with the All Ordinaries index climbing 3.6 or 2.4 per cent to 2,300.0.

AGAs

Shareholders of AGA AB (publ) are hereby summoned to the Annual General Meeting on Thursday, May 9, 1996, at 5 p.m. (local time).

ended 20.93 down at 10,889.05, while the finance sub-index dropped 1.5 per cent.

Investment funds were among the heaviest sellers of bank stocks. The retreat was led by Hang Seng Bank, which shed HK\$2.25 to HK\$77.25.

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closed at a 21-week high, up 0.6 per cent at 1,913.96 in turnover of FIM345m.

Nokia announced a FIM700m order from Telecom Finland and the company's shares moved forward to a five-week peak of FIM170.50, up FIM2.50 on the day.

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FT-SE ACTUARIES WORLD INDICES

Table with columns for Index, Open, High, Low, Close, and % Change. Includes FT-SE 100, FT-SE 250, FT-SE 500, and various international indices.

Base value 1000 (partially updated); 1992 = 1000.00; 1993 = 1000.00; 1994 = 1000.00; 1995 = 1000.00; 1996 = 1000.00

15 centimes to FF6.30 as a number of analysts made negative comment following the group's record 1995 loss.

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list the shares of three banks, Dong Hwa Bank, Daes Dong Bank and Dong Nam Bank.

MANILA rose on heavy foreign buying, as investors took the view that the second half would be better for companies because of low inflation data.

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FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NetWise Securities Ltd was a co-founder of the indices.

Large table with columns for Index, Open, High, Low, Close, and % Change. Includes National and Regional Markets, FT-SE 100, FT-SE 250, FT-SE 500, and various international indices.

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